THE INFLUENCE OF RETAILING MIX ON THE CONSUMER-BASED RETAILER EQUITY: THE CASE OF KONOHANA GARTEN

Dissertation

By

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Abstract

The main challenge in Asian countries, especially in Southeast Asia, concerns the differences between urban and rural. The developing process is dependent on the political and economic situation of each country. Most rural people somewhat get used to government intervention and support under a patronage system, in which a higher authority takes care of the less fortunate. Instead of employing gradual, continuous development, most development schemes for rural community have been unstable and have depended on exogenous motivation. In order to close the gap between urban and rural, most ASEAN (Association of Southeast Asian Nations) countries have adapted various concepts and approaches from major developed countries, anticipating that these concepts would have the same outcomes in Asia. As the only developed country in Asia, Japan has huge purchasing power to import goods including food and agricultural products. Currently, Japan imports more than half its food and the importation of agricultural products is much more important than imports of luxury goods or technology items. However, Japanese farmers are striving to supply domestic products to the agri-food market by differentiating their products' values and developing efficient retailing channels.

Many cases of rural development in ASEAN countries frequently confronted with marketing issues among various impediments. Rather than using the Japanese OVOP (One Village One Product) model, which has been widely accepted throughout Asian countries as well as many countries in Africa, this research used the case study of Konohana Garten in rural areas of Oyama town in Oita prefecture to explore the application of marketing concepts. It is in fact the origin of the OVOP concept in Oita prefecture and of the *michi no eki* (roadside station) notion all over Japan.

This research intended to identify the significance of retail marketing in developing an accomplished rural enterprise. Since retailing is the last stage of supply chain in delivering products to consumers. It pointed out the linkage of external factors and enterprise's internal marketing strategies, whether external factors; such as socio-ecomy, government policies, customer behaviour, and market competition, could be the foundation of an effective marketing plan. The retail marketing plan of Konohana Garten was identified as six retail marketing elements of store location, store layout and design, communication mix, merchandise, pricing, and customer service and selling. It also used and analyzed based on consumers' attitudes as the enterprise's internal factors, which can create a value to the retailer. This value is the firm's brand equity, in this case the retailer equity, which allows the retailer to develop and achieve desirable target market. Moreover, the study investigated how each retailing strategy among assorted components influencing on the retailer equity.

The two main findings concern customers' demographic factors and the dominant retailing mix. Regarding customer's demographic characteristics, age was not the only important factor; residence area, occupation, and shopping role were also predominant factors in buying at this community agri-food retailer. Likewise, the identified models of confirmatory factor analysis and structural equation modelling with moderately good model fits showed that Merchandise was the dominant retailing mix element, followed by the customer service and selling and communication mix. The models supported empirically illustrate the retail marketing management of Konohana Garten and also demonstrate that the retailing mix elements vary in terms of their relationships to retailer equity dimensions and retailer equity. The findings would be beneficial to other similar types of retailer in terms of marketing practices that achieve a maintainable community-based enterprise. They also propose the concept of the relationship between the retailing mix and retailer equity through retailer equity dimensions, which will be useful for further retailing studies in general.

Chapter 1

Introduction

1.1 Background

The retailing industry is one of the largest businesses based on value in the service sector in most countries in the world. In OECD economies, the distribution sector including wholesale and retail trades accounted for 8–17 per cent of GDP during the 1990s (Wrigley and Lowe, 2010). Although the tumultuous economic situations in Europe and the USA have recently affected all sectors, retailing business is still growing in many countries in Asia Pacific and South America in the form of both domestic companies and international firms, such as Wal-Mart, Carrefour, and Tesco (Ben-Shabat et al., 2012). In this global economic atmosphere, retailers have had to adjust their investments and create proper marketing plans to maintain earnings and enhance market coverage. This situation can occur in any size and type of retailing business. Community-based retailers are confronting the same challenge. Despite their small size compared to the whole retail industry, this type of retailer plays an important role among small and medium enterprises, which contribute to the local economy and ultimately to the national economy (Dune et al., 2011). In general, such retailers are usually established to support rural and community development as distribution channels from producers to consumers. However, there are many challenges in operating this kind of retailer, related to social capital, natural resources, geographic landscape, skills and knowledge, and source of funds. Numerous small retailing enterprises have been unable to overcome difficulties in one or more of these areas and have been forced to close down;

nevertheless, a good sample of this kind of local community retailing business can also be found.

Despite this grim reality, successful examples of rural developments constructing retail business based on the cooperative model can be found in many developed countries. Among of those cases, there is one well-known movement in Japan's Oita prefecture, called OVOP (One Village One Product). It was initiated by the governor of Oita prefecture in the late 1970s, Hiramatsu Morihiko, who became the most important local governor in driving this scheme nationally and internationally. He encouraged rural revitalization by using marketing as the leading theme – 'the face of the village' (*mura no kao*) – rather than purely concentrating on goods. He set the following two major goals: raising the income of Oita's inhabitants and making them feel proud of their home towns (Shoji, 2006). The three basic principles of OVOP are local yet global, self-reliance in creativity, and human-resource development; these reflect the concept of creative entrepreneurialism as a hybrid of strategic thinking in the Asian environment (Ishikura, 2010). Consumers perceive the value of the products representing the image of each village; meanwhile, villagers receive both economic and social benefits from selling their products, resulting in improved community welfare (Ashkenazi and Clammer, 2000). The success factors of the OVOP movement – measured by many new indicators such as standard-of-living indexes, including that of the United Nations Development Program (UNDP) and the Human Development Index (HDI) (Wachowski, 2010) – can be recognized from the local context (Gittel and Vidal, 1998), community capacity, and social capital (Miyoshi and Stenning, 2008). These success factors include a strong bottom-up commitment from the community; an administrative political system (Aquirre, 1998) including all levels of government; continuous engagement and advocacy; financial and funding management; trading systems including markets and marketing; and technical and training support from external bodies (Gittel and Vidal, 1998, pp. 24–25) including associations, foundations, and national institutions. Most studies and research have focused on sociology and the political administration; aspects of the trading system such as marketing criteria have been less discussed as strategic impetuses for sustainable rural and community development. The original OVOP idea derived from a community-based enterprise operated by an agricultural cooperative in Oyama town, in a rural area of Oita prefecture. All the key concepts of OVOP were adapted from the practice of this agricultural community enterprise, called Konohana Garten (木の花ガルテ).

Konohana Garten was founded by Oyama Agricultural Cooperative in 1990. It first operated as a factory that processed food from local agricultural crops, as a local food restaurant using local raw materials, and as an agri-food retailer directly selling local farmers' harvests to consumers. The store served as a mutual distributing channel for local farmers to sell their products; hence, it can be considered as an agricultural cooperative retailer as well (Moeran, 1997). Konohana Garten has an outstanding marketing model regarding its retailing business and its agricultural brand, and its competitiveness is established in the arena of small-scale retailing (Savitri, 2008). For rural community-based retailing businesses, efficient retail marketing management is one of the primary functions required to perform consistently. An aspect of this retailer's strong brand is its combination of Japanese and German words: Konohana Garten means 'Goddess of flowers garden'. Local people and travellers from other regions have recognized this name for its more than 20 years of operation. Retailing marketing and retail branding are obviously applied by this local agri-food retailer.

This research used Konohana Garten as a case study of how marketing theories can be implemented thoroughly even at the rural community level. The two major marketing concepts are retail marketing management, based on retailing mix theory, and retail brand equity, otherwise known as retailer equity. These two concepts are crucial instruments in creating an effective and profitable retail business. Whereas retailing mix can reflect the marketing activities of a retailer, retailer equity helps to assess the outcome of those marketing efforts. Marketing strategies noticed by customers are more significant than the firm's outlook. No matter how significant the firm considers its marketing efforts to be, they are less meaningful if customers don't recognize or appreciate them as well. Therefore, this research used consumer-based marketing perceptions in assessing the retailing mix performance of the focal retailer in order to understand both consumers' and the retailer's perspective on the management of retail marketing. Under conditions of altered consumer preferences and lifestyles, economic volatility, advanced information technologies, and environmental concerns, Konohana Garten has maintained its business in the high-competition food retailing industry and has created continuous growth in agri-food retailing. As a result, the case study of Konohana Garten can provide a good sample of community retailing enterprises, based on its comprehensive retail marketing management and retail equity.

1.2 Statement of the problem with the OTOP concept

This study was inspired by the challenges found in implementing the OTOP (One Tambon One Product) project in Thailand. The OTOP project was started in 2001 by then-Prime Minister Thaksin Shinawatra's government to encourage economic growth. The concept of OTOP was adapted from the OVOP movement in Oita, Japan (Fujimoto, 1992). The OVOP movement has been studied and applied by many countries all over the world, especially in Southeast Asia (e.g., Cambodia, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam). The success of the project in each country depends on many conditions – for instance, the awareness of the community, the readiness of villagers to improve their quality of life, the leadership skills of authorities, and the government's support. The rural development programs are mostly aimed at social and economic development using top-down approaches and led by local municipality and national government authority. Both developed and developing countries can have active rural development programs that local people engage in and that create endogenous initiatives for development (World Bank, 2001). In the Philippines, the study on sustainable local development through OTOP (there known as One Town One Product) on the case of Mindanao, in which tripartite convergence – by national government agencies, local government units, and the private sector (business groups and non-governmental organizations) – has played a crucial role in supporting the OTOP program. However, the OTOP movement alone could not sustain itself. Areas it has been suggested need development are operational facilitation, marketing and promotion, education/research and development, and financing (Rana, 2008).

There have been 31 studies on the OTOP program and the management of small and medium enterprises in Thailand. These studies concluded that the obstacles to and failures of community OTOP products mainly consisted of limitations to product types and varieties, limitations to entrepreneurship ability, lack of management knowledge, primitive technological backgrounds in new product development and production management, limited sources of financial support, and deficiencies in marketing abilities that could create competitive advantages (Soontornsamai and Maimonkol, 2007). On the other hand, another study assessed community business performance through a case study of OTOP enterprises for food products and revealed that most OTOP enterprises primarily utilized local knowledge but that there was barely any evidence of enterprises using the distinctive identities of products in order to attract customers. Moreover, there is not as much self-distribution in the communities as might be expected (Sammasut, 2007). Although Thailand’s OTOP program can be considered a very successful project among other countries’ OVOP programs (Igusa, 2008), some scholars have pointed out that the practices of OTOP projects are not as sustainable as they are officially claimed to be (Theerakul et al., 2005). Thailand has been using the OVOP concept for over a decade, but various significant weaknesses of its OTOP activities have been discovered, such as the application of the marketing mix, minimal creativity, and minimal self-innovation. The main reason for this is that prior to 2006 the organizations relied to a large extent on the central government; after a new government, empowered by the military, was introduced in that year, the OTOP program was diverted from its original route (Natsuda et al., 2012, p. 375).

Thus, the adaptation of the Japanese OVOP movement to many other countries still requires investigation and improvement. The OVOP movement requires the recognition and reformation by inhabitants, acknowledgement of local characteristics, continuity of the movement, high-value-added products, a marketing channel, and personnel training. The application of marketing concept to the rural development had been found minor explained. Numerous studies and case studies based on specific sociological and political perspectives have been conducted in order to construct the policies involved or to describe the functions and responsible parties at the level of the local municipality and national government. Unlike the Japanese agricultural community, which was self-motivated and self-reliant and started the community development using a bottom-up approach, most Thai rural people were used to having every assistance from their governments, such as budget funding, pricing intervention, protective policies, and market expansion for exports. Marketing was identified to be a complication in OTOP projects in terms of selling their products to both domestic and international consumers. As a result, improvements in the implementation of marketing should be an essential means to have more effective outcome (Theerakul et al., 2005).

1.3 Research objectives

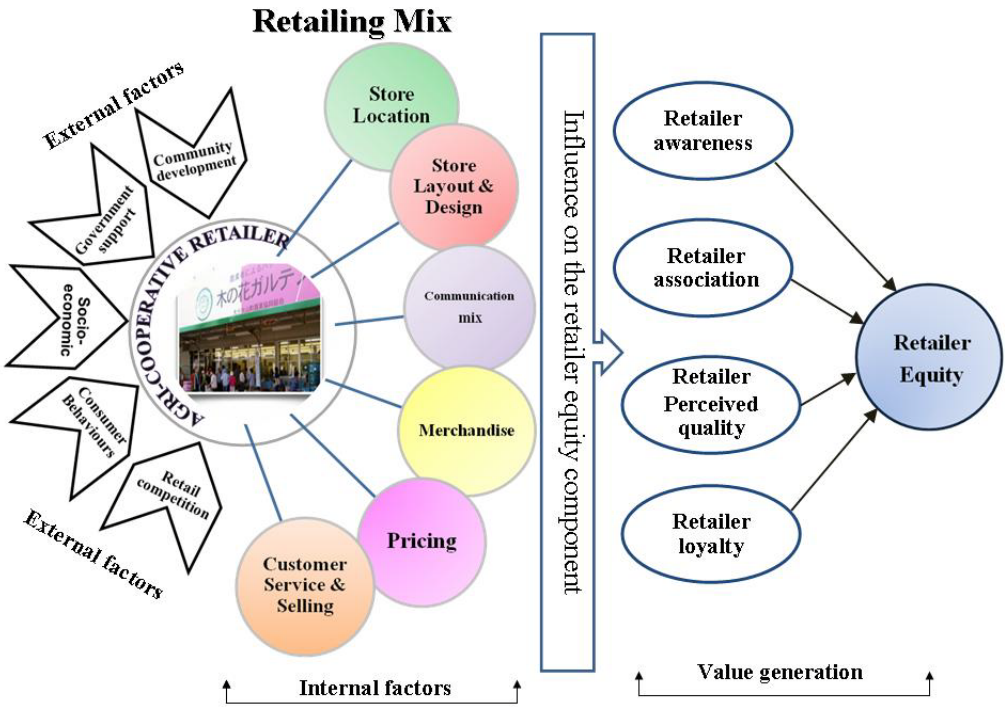
Since the foundation and essence of the OVOP programme came from Konohana Garten, the research should study this originating entity in order to understand how the idea began, before its adaptation. In addition, the guidelines for evaluating marketing ideology and policy should be distinct in terms of how Konohana Garten may be used as an example for improving community development in Thailand and other countries. Therefore, the objectives of this research are as follows:

1. To investigate the possible impact of external factors on generating retail marketing strategy of Konohana Garten
2. To identify the target market of this type of agri-food cooperative retailer based on the demographic characteristics
3. To examine the retailing mix elements constructed by Konohana Garten in maintaining a local community retailing business.
4. To verify the relationship between retailing mix and retailer equity in supporting to the retail marketing management of Konohana Garten.
5. To suggest the foremost retail strategies for constructing a potent retail marketing plan at the level of local community retailing enterprise.

1.4 Conceptual framework and theoretical background

The research employs a cause-and-effect approach to identify the factors that may have an impact on the retailer's marketing management policy, and how the results in the form of marketing activities perceived by customers. The overall conceptual framework is illustrated in the below Figure 1.1, which can be explained into three separate parts as external factors, internal factors of the agricultural cooperative retailer, and the retailer's value generation based on the implementation of retail marketing strategy.

Figure 1.1: Overall conceptual framework

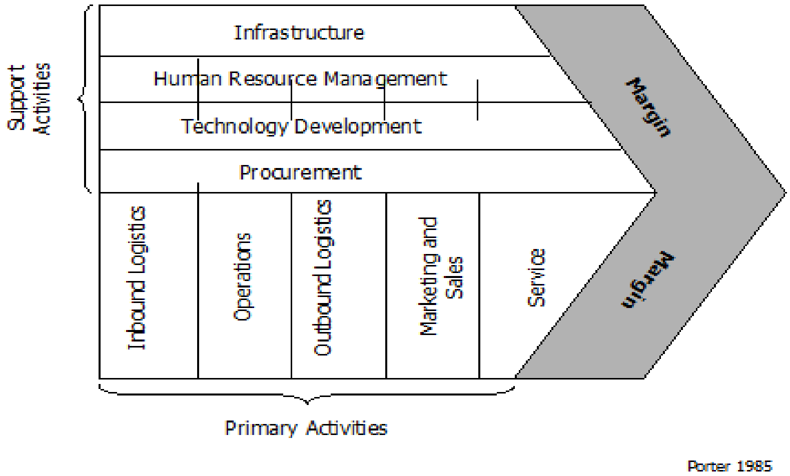


Source: Author

The external factors are multiple and uncontrollable forces that can affect the local cooperative enterprise. Adapting from the five-force model of Michael E. Porter (1979), the conceptual framework shows the external factors shaped how the local enterprise operates its business. Since no business can operate in vacuum – no conditions or no obstacles, this research identifies the main forces of external factors that can influence on the management decision and direction of marketing strategy. Although the external factors were not included in the thesis's title because of the unmanageable circumstances, it is still necessary to examine them as the potential sources of competitiveness to any local community enterprise. Next part comprises of the characteristics of agricultural cooperative retailer and managerial internal factors of the enterprise. As this research uses the case of a local community retailer in Japan, the explanation on the Japanese retailing as a whole to this type of retailer are included for a clearer understanding. Based on the model of the value chain of Michael E.

Porter (1985), as shown in Figure 1.2, this research employs the marketing concepts in allowing the firm to create values to itself in the value chain.

Figure 1.2: Value chain of Porter (1985)



Although the primary and secondary activities of this model can be considered differently, this study identifies six retail marketing strategies or retailing mix in producing the firm's brand value. Last part composes of the construction of the enterprise's value. This study specifies this value to the firm as the retailer equity as the case is the agricultural retailing business. Retailing is part of the process of moving products and services to end customers. A systematic logistical system is required in order to minimize costs and maximize customer satisfaction through speed and quantity. Meanwhile, feedback from retailers can provide useful information to suppliers or producers in creating suitable production plans and in forecasting the costs of handling fees, transportation, and other charges occurring in the supply chain. Furthermore, retailing can be categorized as stages of marketing and sales including service of the primary activities because retailing today has a more expansive role incorporating customer service as a means to add value. For instance, 7-Eleven is the most successful convenience store in Japan. It was found in 1973 based on the concept of 'change and reformation'. This company has fully integrated, synchronized, and diversified the retailing business in response to the rapid growth of consumerism and capitalism by using information technology since 1990. It established the forward integrated information system linking all chain stores by ISDN lines to transmit large amounts of information. Its multimedia station can fulfill mail orders, supply travel commodities, make reservations, and provide other trading services by connecting to contracted suppliers (Ishikawa and Nejoi, 1998). All stakeholders, producers, retailers, and consumers benefit by participating in the chain of value that 7-Eleven created throughout the time. Hence, this last part contains the relationship of the retailer's marketing activities that create values to the firm based on the customers' attitudes.

The above three key parts in conceptual framework can be expanded into four sections of related literatures, which connecting the rural enterprise development to the marketing concepts. In the first section of literature reviews contains the primary forces from the external factors that affect the specified agri-food retailer. These include community development (schemes), government support (policy), socioeconomics in the target area of study (a rural part of Kyushu), consumer behaviours, and retail competition in the market. It is essential to discuss Japanese consumers in the first part because Japanese culture and tradition influence the attitudes and behaviours of every group of Japanese consumers. These are not only the sophisticated characteristics of Japanese people, but also the group- or community-oriented attitude embedded in the Japanese way of life. Retailing can be viewed as the urbanization of the community because people exchange products, trade, and spreading information among their groups. The main influences of Japanese consumption behaviours are usually explained based on age and gender, because women generally manage the household expenditures and control the financial budget of the family. Moreover, residential geography and spatial patterns are related to the identification of kinship networks and religion. For instance, for some reason, Japanese Christians will not go to an unfamiliar church even if it is located in their neighbourhood, and Japanese Buddhists will visit a particular shrine in their local community (Clammer, 1997). Japanese consumers have been transformed by globalization. From the beginning of the baby-boomer generation after World War II to the emergence of materialism in urbanization, there have been changes in women's roles in job markets, later marriage with lower birth rates, growth of childcare centres, and growing numbers of ageing people (McCreery, 2000). Consumers' backgrounds consist of multiple layers; however, this study intends to drill down to only eight basic demographic factors – age, gender, marital status, parental status, occupation, residence area, shopping role, and car possession – because they were identified conveniently by customers and applied in previous studies, such as Hackett and Foxall (1994). In order to avoid negative feeling against the questionnaire, this study excluded the sensitive questions towards respondent's demography, such as salary or income per month, education level, and other personal information. It is important to let the respondents feel least worry about the identity and focus on the attitudes towards the store.

Second section describes the background of the Japanese retail industry according to a holistic view, and then points out on the case, which is the community-based agricultural food retailer. Retailing as it is known today started in the late 1960s, when many department stores and new selling channels were launched (though mainly for industrial products) (Mayor, 1989). The strategic retailing can be applied not only to commodities but also to community retailing, as retailing is an important field to study because of its impact on the economy, its functions in distribution, and its relationship with production firms selling goods and services to retailers for their resale or use (Berman and Evans, 1998). Japanese retailing has been viewed as outdated, traditional, and inefficient in terms of its economic basis. This notion came from the large numbers of small-scale supermarkets and neighbourhood stores that supported daily consumption (Potjes, 1993). Potjes pointed out his empirical study that ‘on the whole the Japanese retailers are not interested in high profits, but in the long term security of a stable family income. Furthermore, the retailer operates in an environment protected by government regulations, a faithful circle of customers, and close relationships with his wholesalers and manufacturers’ (Potjes, 1993, p. 88). However, Japanese retailers have since adjusted and improved their practices to be more internationalized, according to changes in the markets and in consumer behaviours. The simple ideal of ‘mom and pop’ stores cannot be applied to the current market situation, in which there is high competitive pressure. Changes in the retail industry usually affect the management policy of the retailer; hence, it is necessary to review the whole industry and also specifically explain the case of small businesses. One of rural development schemes is community-based enterprise: privately owned businesses founded by groups of local people. Most local communities have agricultural or related professions. This kind of enterprise can contribute to a community’s economic growth, which consequently helps to develop social well-being. By their nature, community-based businesses have limitations in terms of financial and social capital. With limited resources – natural resources, money, human resources, knowledge and information, and technology – people in the community have to be self-reliant to gradually establish a sustainable business entity. This kind of enterprise mostly appears in the form of agricultural cooperative organizations, which then expand further into profitable business activities. Since agricultural work is the main profession of rural villagers, cooperatives are founded to support local agriculturists in obtaining appropriate incomes and improving their agricultural businesses. Agriculture has been a basic activity for human survival for more than 10,000 years. It involves cultivation of plants, animals, fungi, and other life forms for the four human basic necessities (food, clothes, medicine, accommodation), and more recently, for energy (biofuel), to maintain and improve human life (ILO, 2000).

Agriculture means all forms of activities connected with growing, harvesting and primary processing of all types of crops, with the breeding, raising and caring for animals, and with tending garden and nurseries. (ILO, 1963, p. 4)

Agricultural cooperatives derive from the development of various cooperative societies in 1844, the most well-recognized being the Rochdale Equitable Pioneer Society, or the Rochdale cooperative, in Britain (Grubel, 1999, p. 306). In 1854, the Rochdale cooperative had eight basic principles as its key modes of operation; these were:

1) *Democracy – one member, one vote*
2) *Open membership – low down-payment, unlimited membership*
3) *Fixed and limited interest on capital – guaranteed interest on down-payment*
4) *Distribution of the surplus as divided on purchases*
5) *Cash trading – no credit purchases*
6) *Pure and unadulterated goods*
7) *Education – intellectual improvement of members and their families*
8) *Political and religious neutrality*

(Birchall, 1994, pp. 54–62)

Apparently, the cooperative used the basis of the free market and democratic society in operating a business. The pursuit of economic progress was enhanced through self-education among members of the working class, without government intervention (Fairbain, 1999). ‘Cooperative social life provided a sense of belonging, a collective identity that valued all members as equals. Cooperative culture attempted to remark social relations, not on the morrow of the revolution, but in a present itself seen from its other side’ (Gurney, 1999, p.143). Building on the principles developed by the Rochdale founders, the world cooperative movement and the International Cooperative Alliance started to expand and establish cooperative societies in many countries, including Japan (Takamura, 1995). During the Edo period (1603–1867), Japan already had mutual assistance groups aiming to lessen the impact of famine and poverty on the people; however, after the introduction of the principles of the Rochdale cooperative and an emergence of rural credit unions in Japan, cooperatives were built in various industries at the beginning of the Meiji period, around 1868 (Grubel, 1999).

In Japan, an agricultural cooperative is an agribusiness that gathers members of the local community, mostly farmers, plant growers, fishermen, and other forms of occupation relating to agriculture. Moreover, most cultural arts and crafts created from an agricultural basis (such as wooden work and ceramic pottery) are included in the activities of agricultural cooperatives. Cooperative organizations in the agricultural community were created to improve rural life and people's incomes. This form of business entity is fundamentally operated on the principle of responding to customers in relation to domestic market conditions; thus, it needs to be sustainable in terms of changing factors both external and internal.

By the flow understanding of external factors affecting the local cooperative retailer, the third section explains further on the internal factors of the retail enterprise based on the concepts of retail marketing strategy. In enterprises of all sizes, the retailing strategy should be considered and analysed in order to create a proper plan for marketing management. A retail strategy is a statement identifying (1) the retailers' target market, (2) the format the retailers use to satisfy the target market's needs, and (3) how the retailer plans to build a sustainable competitive advantage (Levy and Weitz, 2009). Because it is the last stage of the value chain, retailing means the process of distributing products to end customers. Hence, retailing strategy is unavoidably linked with the success of any business enterprise. This agri-food retailer, named Konohana Garten, is managed by the agricultural cooperative in Oyama town. It obtains information concerning various external factors, and then generates an internal retail marketing strategy. This section intends to capture how the enterprise can respond to the uncontrollable forces by creating the proper marketing plan. The mixture of different marketing activities in a retailer so called the retailing mix can be altered by various retail format, segmentation, and target market. The concept of the retailing mix is the foundation in creating retail marketing actions that satisfy customers. Marketing efforts can also reflect a firm’s financial statements; nevertheless, this study emphasizes on the consumer-based not the financial based measurement because the focus is on the enterprise’s marketing value that can be a maintainable asset of the business in the long term.

In consequence, the last section addresses the construction of value generation of the firm from the marketing activities. This marketing value of the firm’s brand or brand equity is based on David Aaker’s widely accepted concept that first introduced in 1991. Branding is a significant combination of the aesthetic and the commercial: ‘In creating for the first time in effect a sophisticated definition of what a brand is, he [Plato] built on Heraclitus’s position, and made it clear that a brand as *we experience it* should never be seen as something that is, but rather as something that is always *becoming*’ (Braun, 2004, p. 40). In the world of advanced information technology, consumers live in an environment of crowded messages of information through various communication media. With a sign, symbol, or illustration of its existence, a retailer enables its target customers to recall a place, a product, or other values. Such messages can also motivate customers to revisit the store or make more purchases, as a result of the perceived benefits connected to the retail branding. Because Konohana Garten was specifically named to the customers, the retail brand equity or retailer equity could be examined to confirm the significance of the value attaching to the retailer’s brand name. In order to satisfy its customers and keep up with the agri-food retail industry, the retailer has to create value attached to its core business. The value of the retailer, based on the concept of brand valuation in brand equity (Aaker, 1991, 1996), can be considered as retailer equity (Ailawadi and Keller, 2004).

This research highlights the possible influences of the retailing mix on the retailer equity. The relationships between retail marketing actions and the components of retailer equity are discussed through previous literatures. The retailer equity components are retailer awareness, retailer association, retailer perceived quality, and retailer loyalty. The assessment of related studies combines various findings and propositions, verifying the significance of retailer equity and its application in the management of retail marketing. The ultimate goal of this research was to explore how the agri-food retailer, which was formed and run by the agricultural cooperative, creates retailer equity based on its retailing marketing mix.

1.5 Research questions

According to the Japanese Ministry of Economy, Trade, and Industry (METI) in a report about OVOP: One Village One Product, there are six key factors in the success of OVOP in Japan (METI, 2008). One of them is developing markets and distribution channels, which directly relate to retailing strategic management. The study uses the case of Konohana Garten as it is the origin of OVOP movement to find the relevant solution of the success in the local community retailing. Therefore, this study emphasizes the practical implementation in retail marketing strategy of the agricultural community retailer and explores the answers of all research questions related to the conceptual framework. The research questions and hypotheses are displayed after each section of literature review in chapter 2.

1.6 Expected outcomes

This research study revealed two main outcomes. One aspect concerns Konohana Garten's customers' characteristics. The results about Japanese consumers can provide examples and key aspects regarding customers' demographics, perceptions, and behaviours. The major groups of consumers based on eight demographic characteristics –age, gender, occupation, residence area, marital status, parental status, shopping role, and car possession – are anticipated to be relevant in terms of identifying the target market of this type of retailer. The dominant demographic factor relates to various consumers' perceptions are also obtainable. By using these basic demographic segmentations and their influences on the perceptions of retailer's marketing performances, the most effective retail strategy can be anticipated as well.

The other perspective involves the retailing mix, retailer equity, and their relationship via the components or dimensions of retailer equity. The identified measurement models (based on the retailing mix) and the formative structural model (indicating the relationships between the retailing mix and retailer equity via retailer dimensions) are expected to be relevant to the essences of both the retailing mix and retailer equity even at the local community retail enterprise of an agricultural cooperative. These results can support marketers, retailers, and cooperative managers to have a better understanding of target customers and of their perceptions of the retailer's performances reflecting retailing mix elements, and to use the relationship between the retailing mix and retailer equity to improve the implementation of retail marketing in order to achieve their business goals.

1.7 Outline of this study

The research comprises five chapters. This introductory chapter has explained the background and significance of the study and given a brief discussion of the conceptual framework. In Chapter 2, the relevant concepts and supporting literatures are reviewed. Chapter 3 explains the mixed-methods research methodology (qualitative and quantitative approaches), including the instruments for gathering data and analysis. Chapter 4 presents the results from a survey, semi-structured interviews and observation, data analysis, and statistical explanation of consumers' demographic characteristics, of the retailing mix, and of retailer equity. The chapter ends with a discussion of the findings leading to the conclusion. Lastly, Chapter 5, the conclusion and recommendations, summarizes the key findings, implications, limitations, and suggestions for further study.

Chapter 2

Review of the Literature

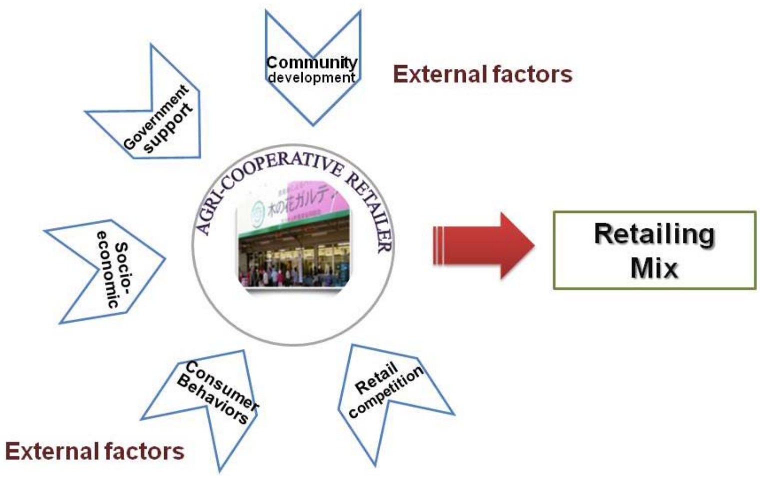
This chapter elaborates the research's conceptual framework illustrated by Figure 1.1 of the previous chapter 1 with related literatures attaching with the research questions and hypotheses. These literatures are used as theoretical background in explanation on the findings and conclusion. This chapter comprises of four areas, according to the conceptual framework: (1) primary forces from external factors (community development, government support, socioeconomics, retail competition, and consumer behaviour); (2) Japanese cooperative retail enterprises (retail industry, agri-food retailing, agri-cooperative retailers); (3) retail strategy and the retailing mix; and (4) retailer equity (concept, significance, application). As mentioned earlier in the previous chapter that the four sections of literature reviews are linked by the impact from external sources on the cooperative enterprise's management. The type of cooperative enterprise is in the retailing business; hence, the explanation on the retailing industry with focus on the agri-food cooperative retailer is necessary to recognize. The internal factors on the retail marketing mix or retailing mix are discussed in the third section as the cause of the value created by the retailer. Last section clarifies the marketing value to the firm according to the brand equity concept and in this case the retailer equity is the other core concept of this study.

Each section contains not only theoretical literatures but also examples and case studies from previous research. The arguments, research questions, and hypotheses are placed at the end of each section using either qualitative or quantitative approaches.

2.1 External Factors

There are five general forces to be considered in establishing retailer management and philosophy, and especially the marketing plan. An effective marketing plan delivers the proper retailing mix to satisfy the needs and desires of customers. This part gives details of each external factor influencing local community agricultural retailers such as Konohana Garten, which are community development schemes, government support, socioeconomics, Japanese consumer behaviours, and retail competition in Japan, briefly referring to the content in the next section. The below Figure 2.1 illustrates the key five factors influencing on the cooperative retailer in retailing mix generation.

Figure 2.1: External factors influencing on the marketing operation of the enterprise



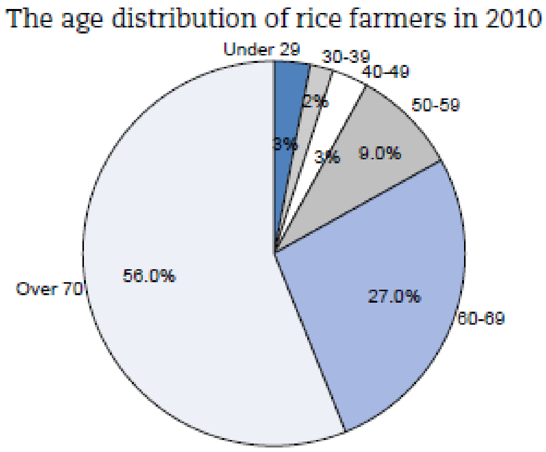
Source: Author

2.1.1 Community development schemes

Japan is an island country comprising thousands of small islands and four large islands (from north to south: Hokkaido, Honshu, Shikoku, and Kyushu). With a total area of 378,000 square kilometres, Japan is almost the same size as Germany, Finland, Vietnam, or Malaysia (Web-Japan, 2011). Most of its landscapes are mountainous, and the flatlands where the majority of people live are clustered around the coastlines. People living in urban areas accounts for 77.6 percent of the population and only 22.4 percent live in rural areas (March, 2003). These rural areas are mainly used for agricultural activities, which vary according to climate, natural resources, and factors such as soil quality, rain quantity, and knowledge management. Japan has a monsoon season and rice grows in many areas. Apart from rice, other major crops are wheat, barley, naked barley, and sweet white potatoes. Six crops made up almost 80 per cent of domestic food production between 1880 and 1920 (Johnston, 1951). In the period just after World War II, Japan faced a crisis of a short supply in food; people struggled to grow crops in ruined locations and food production was only gradually restored (Reischauer and Jansen, 1995). Nowadays, due to the limited land for agricultural activities, Japanese farmers maximize every square meter of arable land and employ technologies to enhance their efficiency in growing, harvesting, storing, and distributing their products. Furthermore, they use chemical fertilizers and high-tech machines, which has allowed a steep decline in the farming population (Reischauer and Jansen, 1995). Although the number of permanent farm employees in 2,330,000 agricultural management entities had increased by 19 per cent in 2010 compared to five years earlier (MAFF, 2010), the total population of Japanese farm households in 2012 was 5,865,000 people (MAFF, 2013), or only about 4.57 percent of the total population (128,057,352 in 2010) (SBJ, 2011b). This is low comparing to the service sector for 69.8 per cent, and industry sector for 26.2 per cent in 2010 (CIA, 2012).

Moreover, the average age of Japanese farmers increased to be more than 60 years of age. The below Figure 2.2 shows Japanese rice farmer’s age distribution in 2010. The group of farmer with the highest percentage of 56% of farmers was in the age of more than 70 years old.

Figure 2.2: Japanese rice farmers' workforce



Source: MAFF (2010), OECD (2013).

When Japan came to have a powerful economy through heavy efforts in industrial growth, the higher wages in the industrial sector persuaded workers to abandon farm work. Many cities grew bigger in terms of both area and population, especially people of working age, whereas rural areas, mostly mountains and valley basins, were filled with individual family farms. Consequently, the low productivity of Japanese farmers generated a higher cost of production and higher prices for consumers. In addition, the yield quantity could not fulfill domestic demand. Japan had to import many agri-food products from many countries, mainly from China, India, Oceania, and ASEAN countries (CIA, 2012). For example, in 1998, Japan was New Zealand's largest organic vegetable and fruit export market, possibly as a result of the increasing number of health-concerned consumers. The main imports from New Zealand were onions, carrots, potatoes, apples, mandarin oranges, strawberries, and kiwi fruit (Gendall et al., 1999). Most of these products can also be grown domestically but the price and supply to the needs of Japanese consumers were not balanced. It is obvious that Japanese agriculturists had difficulties in resisting international competition and this certainly would have affected their lives and their communities' economic conditions. Japanese farmers needed to seek protection and support from the government.

'Farmers form the core constituency of the dominant Liberal Democratic Party (LDP) and are also courted by all opposition parties. This political influence for agricultural interests enhances the bureaucratic power of Ministry of Agricultural, Forestry, and Fisheries (MAFF) vis-à-vis other ministries' (Funabashi, 1995, p. 115). The MAFF has two main mandates: one is to give welfare to agricultural workers and the other is to provide ample supply of food to the whole population (Funabashi, 1995). Hence, the government's role in the agricultural sector was remarkably interventionist in terms of its support and control of most of farm production and operations (Mulgan, 2000).The government provided agricultural protection in various ways. During the 1960s, the cabinet led by Prime Minister Hayato Ikeda increased the income of all Japanese by approving farmers' income support through administered prices in key commodities, through trade barriers (such as quotas and tariffs), infrastructure, insurance, and research into how to achieve high levels of productivity (Funabashi, 1995). Although farmers were encouraged to generate higher production, the huge spending of the government on agricultural support created a gap between the price of goods in Japan and the price in other countries. Japanese consumers had to pay a higher price than consumers in other countries because the real cost of farmers' production was high. When the government attempted to take in this discrepancy in price for consumers and cost to farmers, it created a budget deficit. In consequence, the government had to gradually decrease its expenditure on the agricultural sector from over 10 per cent to around 7 per cent (the latter since 1976) (Riethmuller and Roe, 1986).

After the debt crisis in 1982, the implementation of stabilization and the government's policies of adjustment affected agricultural community development (de Janvry et al., 2002).

‘By 1988 the different prices had reached as high as 241 percent, which meant Japanese consumers spent almost two and a half times more for their food than they would have spent making their purchases at international prices’ (OECD, 2000, p. 219). It was the most significant change in rural development during the 1990s. Japan started to open up to more globalized competition and participated in numerous free-trade agreements, both regional and international, such as the General Agreement on Tariffs and Trade (GATT) (de Janvry et al., 2002, p. 1605). Agricultural communities all over the country certainly absorbed the impact of the change in agricultural policy.

This study pinpointed on a sample of agricultural community in Oyama town, Oita prefecture, in Kyushu. This small town confronted with the situation described above and adjusted itself to encounter the challenges. It is situated on mountainous landscapes and depends on agricultural production. With a low number of farm workers and a difficult landscape in which to grow crops, people in this agricultural community have been persistently devoted to developing and improving the land. The government’s changing policy of rural development may have influenced the mindset of people in the community towards these difficulties. Based on the above literatures on the connection of farmers and central government and the changing policy in agriculture since 1990s, this research explores the case study to answer the below questions regarding the factor of community development:

1) How did farmers in Oyama town respond to the changing development policy?
2) How did they acquire assistance in agricultural improvement?
3) Where did the support come from?
4) What were the results of the activities?
5) What do the farmers think about the implementation?

2.1.2 Government support

Many developed countries, such as Japan and the USA, gain a high proportion of their GDP from the service and industrial sectors. Nonetheless, they still have to support and maintain the agricultural sector (which makes up less than 2 per cent of GDP) because it is the foundational sector of the nation's food security and rural development (Graßal, 2005). As mentioned in 2.1.1, government support of the agricultural industry is primarily viewed as state intervention because of the forces of market competition and trade liberalization in the international level. The government failed to generate sustainable community development and instead injected huge budgets into (mainly) land reform and trade protection; this did not eliminate the economic disadvantages of rural communities, such as low-density settlement of people, poor public infrastructure, less diversity in economic activities, and a low-skilled labour force (de Janvry et al., 2002). The MAFF is one of the key government organizations engaged in improvement of rural society because of its policies in pricing agricultural products, in land use, and in structural development projects for rural areas (Goto and Imamura, 1993). The MAFF can only monitor a top-view perspective of the whole agricultural sector; prefecture and municipal governments execute day-to-day public services. Local governments are closer to people and manage various works, such as the construction of public infrastructure, police, education, leisure facilities, and local community development.

Local development involves actions geared towards encouraging and revitalizing both the incomes and the social wellbeing of local people. Since 1962 the central government has generated five comprehensive national-development plans that supported and motivated local government to produce its own plans to improve people's quality of life in the community (CLAIR, 2008). Japan has 47 prefectures of various sizes of population and area. From 1889 to 2010, the number of municipalities greatly decreased, from 70,000 cities to 1727 entities

(CLAIR, 2008; MIC, 2010). Attempts to distribute national budgets to all local governments and municipalities have been managed pervasively in order to balance urban and rural areas. ‘The process must therefore be both comprehensive and horizontal in approach, rather than following the more vertical approach of central government policies’ (CLAIR, 2008, p. 31). A good example of local government’s revitalization projects is the OVOP movement. It was successfully promoted and supported by local government and widely spread not only throughout Japan but also in many other countries (METI, 2008). Nevertheless, this project was initially derived from a rural development concept of Oyama’s agricultural cooperative. Agricultural cooperatives in Japan have had vast memberships of all sorts of agricultural and fishery entities across the country since the early nineteenth century (Grubel, 1999). ‘The cooperatives dominate rural life as a central channel for the distribution and retail of agricultural products and inputs such as fertilizer, while also serving as the primary farmer financial institution that holds their savings and provides insurance policies’ (Goto and Imamura 1993, p. 19). Unlike private companies – where ownership, right to vote in decision-making processes, and dividends depend on the degree of each member’s investment – cooperatives are based on democratic organization and the principal of one vote per member is used for decision making (Penrose-Buckley, 2007), though profit distribution is based on the number of shares each member has invested. Moreover, Japanese farmer cooperatives are considered to be powerful voting groups for both local and national politics. ‘A strong organization by farmers in agricultural cooperative magnifies their political influence. The cooperative, called in Japanese as Nōkyō (Nōgyō Kyōdō Kumiai), has a central organization, Zenchū (Zenkoku Nōgyō Kyōdō Kumiai Chūōkai), and a political organization, Zenkoku Nōseikyō (National Council of Farmers’ Agricultural Policy Campaign Organization)’ (Funabashi, 1995, p. 123). Cooperatives are the strong network for agriculturalists in influencing the trade policies of the central government.

Agriculture was a large part of Japan's economy during the primary stage of modern growth, around 1880 (Crawcour, 1997). After the economy grew and reached its peak during the mid-1970s and the 1980s (Huffman, 2011), the country continued to have a precarious economic situation and is confronting the problems of a declining population and increasing average age. These situations have impacted the agricultural sectors in rural areas in terms of the budget for local spending and the circulating cash flow in the community. Another result is a financial crisis in the municipalities as a result of the increasing expenditures required to maintain the basic infrastructure and facilities in the local community (Flüchter, 2012, p. 28). As a result, farmers and their agricultural cooperatives have had to mutually assist each other in order to build better incomes and proper wellbeing. This self-reliant outlook on development created a significant change in the rural community and extended farmers' ties to the agricultural supply chain in the domestic market.

This research explores the role of government entities in the rural development of the target case in Oyama. The local community's survival of the various internal and external challenges over two decades did not happen easily. If its members depended on themselves with no or less support from government entities – either the central government's organizations (such as the MAFF or MIC) or the local government and municipality – government intervention might be a lower priority. Furthermore, it can be projected that development should mainly come from the needs of the local people in the community rather than solely as a result of a top-down approach from the government sector. Hence, the research questions included in this section are:

6) Did the farmers or the agricultural cooperative obtain help from government organizations?
7) What kind of support did they receive?
8) How do they perceive that support? If there was no support, how did they improve despite scarce resources?

2.1.3 Socioeconomics

Although the agricultural sector presently makes little contribution to GDP, it has been proved that it was the major sector in moving the country towards a growth economy. Japanese agriculture has provided a source of savings for the economy since the 1880s, and it contributed to supporting the development of industrialization during World War I (Ohkawa and Rosovsky, 1960). During the eighteenth and early nineteenth centuries (Smith, 1959) it gave a high contribution, more than half, of the national income. When the industry sector climbed to reach its peak, the agricultural sector declined. 'The percentage of national income produced in the primary sector (agriculture) fell from 64 in 1878–82, to 36 in 1913–17, and to 17 in 1938–42' (Ohkawa and Rosovsky, 1960, p. 63). Presently, Japan's agricultural sector contributes around 1.1 per cent of GDP whereas the service and industry sectors' portions are 72.5 per cent and 26.3 per cent respectively (CIA, 2012). Nevertheless, economic growth cannot be measured only from how easily people can earn more money or from how high the GNP and GDP are; it should also be reflected in people's economic and social wellbeing. By definition, socioeconomics or social economics or sociological economy or economic sociology is a branch of economics emphasizing the relationship between social engagement and economics.

> The subject matter of economic sociology can be defined as encompassing economic actions, relations, and processes within their social setting. A major concern of economic sociology is the relationship between the market and the economic system, on the one hand, and the state and its institutions, on the other (Jurkovičová and Riškova, 2012, p.380).

Socioeconomic development accentuates on the improvement of both economic and social factors within a geographic unit of any community (Fritz, 2004). Socioeconomics is the foundation in comprehending how the agricultural sector has been sustained. Despite the fact that price is determined by the market, generally the price is always too low for farmers to survive because of the high cost of production. In the free market of multiple producers providing the same kind of merchandise, producers can be price-takers (the party who usually accepts the prices set by another party) but hardly be price-setters or even influence the price (Stigler, 1987). This also applies in the agricultural industry. Farmers and others have to adjust their cost of production in relation to the selling price in the market. Capital investment might not be returned in a short time, and it may take a decade to pay back all the loans and interest. Even worse, many farmers cannot even pay back the capital and only pay back the interests in each harvest season. In contrast, in the oligopolistic market, a group of producers is formed as a 'cartel' (Levenstein and Valerie, 2006) to determine the price. For example, the Organization of the Petroleum Exporting Countries (OPEC) manages reciprocated policies among its member countries in oil production and price to the market (Citino, 2002). These countries created a cartel organization because the mutual profits are more than the earnings generated by each member selling separately.

In Japan, the adoption of modernization from Western capitalism was firstly started in 1868 as a guard against imperialism (Hiwaki, 2011). Then, 'after defeat in the Second World War, Japan immersed itself in Western capitalistic values; a result of forced adaptation to the American-style liberal democracy and market economy as well as the accompanying ideology of "might-makes-right" (Hiwaki, 2011, p. 33). The glorious political economy of Japan with its democratic institutions, based on purely economic measurements, brought with it changes in society. Social change is not only a broad and multilayered process influencing various perspectives of social life but also constantly progressing (Jaffee, 1998). The multi-dimensional impacts can be found in three primary stages: 'At the individual level there are the changes in cultural beliefs and attitudes; at the organizational level there are changes in roles and patterns of interaction; at the organizational level there are changes in functioning of major institutions and the demographic processes of rural-to-urban migration' (Jaffee, 1998, p. 3). The various collateral impacts that combined to create a social change in Japanese people can be viewed in a similar way. The first layer is at the level of the thinking process. With higher incomes, people's mindsets altered towards society under capitalism, materialism, and individualism. Cultural and traditional consciousnesses were indistinct and formed into a complex combination of Oriental and Western customs. The second layer is the behavioural aspect. Since their thoughts changed to perceive modernity as civilization, people tended to act upon their beliefs based on individual interpretation. Although there were groups or communities that shared the same traits, attitudes to achievements in education, working life, and personal life were geared to economic values rather than social values. Finally, the third layer is the different lifestyles established in different generations and promoted by mass-media communication and advanced information technology. The gap between urban and rural areas was clearly identified by the ease of accessibility to technology and information. 'The Rural affluence together with an exploration of communications, particularly through television, wiped out much of the social and intellectual differences, that had existed before the war between modernized urban areas and stagnant, old-fashioned countryside' (Reischauer and Jansen, 1995, p. 116). The vigorous economy was compatible with social and cultural attainments (Reischauer and Jansen, 1995) but was less involved with the human-development perspective (Jaffee, 1998). The change in the economy from agriculture (which previously dominated the country) to industry and services did not only involve a revolution in economic activities. Agricultural areas, mostly rural locations, have more connections to urban or metropolitan areas via advanced transportation, trade, communication, and alternative media channels such as the internet and satellite networks (Szirmai, 2005). Together these factors are transforming society to have fewer boundaries between resources and more product mobility. Market extension and competition have also caused people in the agricultural sector to adjust to the market situation. They can no longer follow the traditional concept of being passive producers but instead must stand up to be proactive regarding market needs. It is difficult for many individual farmers (with limited power) to negotiate with traders. By forming themselves into groups of agriculturalists sharing an identity and profitability, cooperatives have made themselves the most distinct form of pervasive producer organization (Penrose-Buckley, 2007). In order to understand the farmers and cooperative developments in rural areas, it is necessary to review the socioeconomic perspective. A cooperative's progress in supporting farmers and local people can change the social life of a community. This research is an exploratory project because there are few literatures discussing the aspect of socioeconomic factor on the cooperative organization in the rural areas. Based on the above literatures, the research questions regarding this factor are:

9) How did the target agricultural cooperative support the local farmers?
10) How do the farmers perceive the difference between the situations before and after the economic uplift?
11) What changes in lifestyle have occurred as a result of the higher earnings?
12) How does the agricultural cooperative's retailer, Konohana Garten, contribute to the local society?

2.1.4 Japanese consumer behaviours

Mass-produced, lower-priced agricultural products from foreign countries such as China, India, the USA, Canada, and many more are increasingly entering the Japanese agri-food market. Although the import value of total foodstuffs accounted for around 10 per cent of total import values in 2011, with the value of imported vegetables and fruit having increased by 9.3 per cent over the past decade (SBJ, 2013b), agricultural and horticultural products are still the basic commodity that Japanese consumers pay more attention to. 'While consumers would benefit from cheaper imports, opinion polls reveal little support for liberalization, and consumer organization had actively opposed liberalization due to food safety and self-sufficiency concern' (Davis, 2003, p. 10). A critique of Japanese consumers as homogeneously middle class, a new social category in Japan, became a prominent public discourse. Japanese people who were born between 1947 and 1949 (known as the 'baby-boomer' generation in the USA) were called the *dankai sedai* generation (Asao, 2007; Someya and Wells, 2008; Ko and Murase, 2012). In the 1960s and 1970s, Japanese consumers started to become more diverse; the 'new people' (Clammer, 1997), 'new breed' (McCreery, 2000), or *shinjinrui* became of working age during the era of the 'golden age' followed by the 'bubble economy' of those internationalizing decades (Clammer, 1997; McCreery, 2000). *Dankai sedai* and *shinjinrui* were the two Japanese generations who successfully revived the country's economy, from after World War II to the 1970s (Maddison, 2001), reaching a peak in the 1980s (McClain, 2002). The foremost consumers of the 1970s were *churyu ishiku*, or 'middle-class consciousness, reflecting the new affluent and consumer boom of those years' (Clammer, 1997, p. 23). Due to the high-growth economy, people started purchasing luxurious and good-quality products as mass consumption grew. Women's roles expanded widely in politics, the economy, and society. More Japanese women had equal job opportunities and equal access to higher education. As the baby boomers reached the age of retirement, society as a whole began to age. Meanwhile, the younger generations had less of an interest in marriage and having children. Consequently, Japanese consumers began to segregate into dramatically different lifestyle subgroups.

Japanese people are usually viewed as honourably and communally homogeneous people. The country's immigration regulations and the peculiar image of its tradition and culture discourage foreigners from migrating to Japan (Flüchter, 2012). Since the 1970s, the total fertility rate declined to reach 1.26 per cent in 2005 but slowly rose to 1.41 per cent in 2012, as reported by the Health Ministry on 5 June 2013 (Miichi, 2013). Still, Japan is deemed to have a low total fertility rate and its labour force, which supports the economy, is shrinking. Furthermore, in 2010, 23.1 per cent of the population was aged over 64 and the number was forecasted to reach 39.6 per cent in 2050 (Flüchter, 2012). Japan is becoming the country with the most rapidly ageing society in the world. However, despite the stagnant economy, many Japanese consumers are recognized as being affluent and interested in luxury and branded products (Haghirian, 2011). Japan was ranked as the highest among the OECD member countries during 1975–1985 for its household saving rates (Horioka et al., 2007). This may be one of the reasons that Japanese people have the high disposable income to spend on high-end products. Even if, presently, the decline in the household saving rates of Japanese people – resulting from the shrinking and ageing of cohort generations (Ômura and Arita, 2005) – is influencing the pattern of consumption behaviours, many Japanese people still focus on good quality and well-known images in purchasing goods. Notwithstanding, most consumers also tend to be more price sensitive than previously because of tighter family budgets (Haghirian and Toussaint, 2011). They pay more attention to their expenditures and savings in order to keep a proper quality of life (Hughner et al., 2007). In 2010 McKinsey & Company conducted a survey on the shifting buying behaviours of Japanese consumers; it concluded that Japanese consumer behaviour had changed in four ways to be more like European and American consumers: 'hunting for value, spending more time at home, buying products differently, and being health- and environment-conscious' (Salsberg, 2010, pp. 2–3).

Homogeneity and social harmony may be the theme of the Japanese people; however, people in different generations and of different ages view and adjust their lives according to their own needs and according to their awareness of their social responsibilities. The other major Japanese characteristic is the tendency to congregate into groups with similar preferences and opinions (Negricea, 2007). Despite homogenization, Japanese consumers have also started to differentiate themselves based on gender and age over social class or family status (Francks, 2009). Contemporary Japanese consumers are distinguished by gender and age; types include the ‘silver market’, the market of elderly people, the single female market, the male market, and married women who are housewives. Groups of consumers can also be divided into those of working age and those of retirement age. As of 2013, the working population of Japan, people at aged 15 and above who are allowed to work legally, was 110,870,000, having only a labour force of 66,190,000 in all sectors, as surveyed by the Statistics Bureau, MIC (SBJ, 2013b). Although an extended age of retirement, around 65 years, for national government employees was planned to start in the fiscal year 2013 (Yomiuri Shimbun/Asia News Network, 2012), the actual average retirement age for Japanese men is 64 years and that for Japanese women is 62 years (OECD, 2011). The working population and their productivity are shrinking, and lifelong career opportunities have been reduced and part-time jobs are more common, which illustrates the deeper economic stagnation in Japan (Datamonitor, 2010). As a consequence of the employment-market conditions, Japanese consumers are increasingly trying to reduce their living expenses out of their disposable incomes. Many consumers choose to stay with their parents. Others choose to live on their own but take maximum control of their budgets and approach the issue of their quality of life differently. Following is a taxonomy of the potential markets not just for general products but especially for agricultural food.

<u>The singles market</u>

When referring to the single Japanese population, many authors point to single women who are living with their parents, called ‘parasite singles’ or パラサイトシングル’ (Yamada, 1999). Apart from a wish to live with their families, they might find this to be a way of decreasing the cost of accommodation by using their parents' residence instead of renting an apartment. Collins (2011) suggested the age range of parasite singles is between 22 and 35 years. In contrast, older single people (typically female) between the ages of 36 and 45 who are living independently and contentedly on their own are called *arafos* (アラフォー), meaning 'the age around forties' (Collins, 2011, pp. 95–96).

It is not only female consumers who are changing their mindsets and adjusting themselves to their working and personal lives. Single men in Japan are also transforming, from hypermasculine in the office – called 'salarymen' and obsessed with alcohol and women after work (Ushikubo, 2008) – to new males called *soushoku danshi* (草食男子) (Fukasawa, 2009), meaning 'the herbivorous man'. These men are 'portrayed in Japanese media and popular culture as sensitive, cool to consumption, love, and career advancement' (Toussaint, 2011, p. 124). There are explanations of this new male. One is that of Maki Fukasawa (2009), who coined the term *soushoku danshi* and described such men as being aged between 20 and 34 and having less status oriented attitudes and less of a focus on a high-paying career, preferring to enjoy their lives alone rather being womanizers; thus, many media label them as ladylike or girly men (Chen, 2012, p. 285). The other explanation, written in the other kanji with the same pronunciation (装飾男子), describes such men as being in their teens or twenties with a fashionable, 'metrosexual' outlook (Tan, 2005) that dilutes the boundaries of gender (Toussaint, 2011, p. 133). In addition, single Japanese men who have high purchasing power, who still live their lives freely as if they were in the bubble economy (Toussaint, 2011), and who are in their late thirties or forties are called *Dokushin Ôji* (独身王子) or 'single princes' by Megumi Ushikubo (2008).

In conclusion, these single male or female consumers mostly have a regular income, regardless of whether their job is permanent, contract part time, or part time. With the changing lifestyles and mindsets, they can switch the roles of gender and buy in ways that don't take account of gender boundaries, which creates wider opportunities for all products and services. For example, Japanese men can be more chef-like by cooking their own food, and can do their own housework and go out for shopping. Similarly, women might choose to buy lunchboxes or frozen microwave food at nearby convenience stores instead of engaging in more complicated food preparation. Companies have to understand these trends and adjust their marketing strategies and communication towards the proper markets.

The married women: housewives

'Japanese women, particularly housewives, were increasingly viewed as knowledgeable and responsible consumers, aware of environmental issues, strong players in the development of consumer rights, and in themselves an active, identifiable, consumer group in the domestic market' (Machnaughtan, 2012, p. 96). A survey by the Japan External Trade Organization (JETRO) in 1981 found that 43 per cent of married women took sole responsibility for the budget and 40.7 per cent shared responsibility with their husbands. Only 16.3 per cent of women responded that their husband ruled the family purse. This survey also noted that consumers' purchases were primarily of domestically produced products but that, as purchasing power increased, so would the desire to purchase imported goods. It also commented that 'the Japanese market is changing and it is not entirely coincidental that the Japanese woman – consumer and housewife – is also going through a process of evolution' (JETRO, 1981, p. 1)

The categorization of Japanese women into identifiable consumer groups has continued. A market report by TrendScope (1997) identified four key consumer types: (1) silvers (persons aged 50 and over), (2) active singles (unmarried working persons aged 20–39 years), (3) youngsters (persons aged 10–24 years), and (4) influencing women (working women and housewives aged 20–49 years). This last category was made up of two subgroups, ‘internalist housewives’ and ‘materialists’, together comprising 21.4 per cent of the Japanese population. Internalist housewives were focused on their personal lifestyles, their communities, and the environment and were the primary target group for a range of ‘home-use products’. ‘Materialist women’ valued material goods and money as key drivers of happiness and were ‘clinging to the attitudes of the bubble period’ through their tendency to buy luxury, fashion, and branded goods (TrendScope, 1997, pp. 10, 16–17). A more resent consumer-trend report by Yomiuri (2008) identified ‘ladies aged around 40’ as one of the four key consumer-profile categories in the Japanese market. Whether homemakers or workers, these women, mostly married and over 30 years of age, have been the obvious consumer target group for products such as household and kitchen appliances. This targeting was tied to the prevailing consensus that such women hold a substantial level of power in the Japanese household. They are responsible for the family budget and for balancing income and expenditure, and favour stability and limiting debt while projecting the image of an orderly, ‘middle-class’ home (Machnaughtan, 2012). Consumers in modern Japan, though their incomes vary according to their occupations or whether they live in urban or rural areas, have in common that they have adopted the influence of Western culture on their lifestyles (Nakanishi and Futaya, 2012). As a result, their patterns of purchasing behaviour are reflected in the products and services they choose for their families as well as the values they attach to them.

The ‘silver market’: elderly people

Today’s numerous elderly populations are the new dominant group in all product and service markets. As of 2011, Japan had more than 29 million people aged 65 and over, or 23.3 per cent of the total population (SBJ, 2012) and the number was forecasted to reach around 40 per cent by the year 2050 (Ogawa, 1997). The results of a survey of people aged 50 to 74 years old, conducted in 2003 by the Hakuhodo advertising agency, split silver consumers (Kohlbacher and Cheron, 2012) into five distinct groups according to levels of heath, social communication, and financial status: ‘happy’ elders, ‘independent’ elders, ‘isolated’ elders, ‘cooperative’ elders, and ‘depressed’ elders (Chéron, 2011, p. 69). The delineation of each group was based on answers to questions related to advertising, information sources for new products, fashion, brand names, and buying decisions. ‘Happy’ elders had good health, were financially well off with good social communication, and tended to be more active and interested in all kinds of sources of information (Chéron, 2011). ‘Depressed’ elders gave the lowest responses to the questions because they had poor levels of all three aspects.

The different responses of each group are linked to the ways they approach the purchasing process. They may buy based on their routine without noticing advertising or simply on the advice of their peers. For example, elder consumers with low financial budgets but who are healthy might choose to walk a couple kilometres for their grocery shopping to obtain cheaper goods at discount stores, whereas elderly people who are wealthy but not healthy might order online or choose to have a delivery service at home. Therefore, this survey identified physical, social, and financial constraints as the main factors influencing silver consumers in their various purchasing patterns. In addition, the lifestyles and reasons for spending of the retired population are different from those of the younger (often single) population, since the former must spend their savings, pensions, and investment profits while the younger generations still work to earn money. This may discourage elderly consumers from prodigally using their pension funds or any profits from investments on unnecessary expenditure. Japanese firms need to design marketing strategies that respond to the concerns of this silver market. Chéron (2011) has summarized the main strategies that are considered, in retailing and other business, to cater for elderly people, for instance: special discounts and promotions on travel packages; restaurant buffets; bus fees; store layout renovations and a shopping atmosphere of leisure, relaxation, and safety; customized products that promise a more enjoyable lifestyle, since many silver consumers are oriented towards health and beauty (Enomoto, 2008); and direct sales via online shopping with home delivery, to facilitate senior consumers' purchasing experiences (Chéron, 2011, pp. 79–82). These scenarios create incentives for the elder population to keep healthy with their consumption attitudes towards product quality, healthiness, and value for money in buying behaviours, and spend time on their own purposes (Salsberg, 2010).

Furthermore, television advertising – which had the highest advertising expenditure at 30.2 per cent of the total value in 2012 (Dentsu, 2013) – is still the most accepted (over other media) in the communication mix by Japanese senior consumers. However, alternative media such as the internet and satellite television – with advertising expenditure at more than 15 per cent in 2012 (Dentsu, 2013) – has gradually increased its ability to reach a wide range of senior consumers, as proved by the growing number of elderly Japanese who access the internet for leisure and other activities (Chéron, 2011, p. 85). In addition, an undeniable source of information used by senior Japanese consumers is word of mouth. The exchange of information among their peers in the community maintains the social geniality and serenity. From the market-segmentation point of view, as an increasing proportion of the population is made up of elderly consumers, they are obviously currently one of the major markets for every kind of product and service.

A recent study in Oita prefecture

In 2008, the Chamber of Commerce and Labour in Oita prefecture conducted a survey of 3,468 people, mainly in central city areas throughout the prefecture. The primary finding was that Japanese consumers chose to purchase all kinds of product locally more than 90 per cent of the time. The most common occupations of the respondents were corporate employees and government officers. Of the respondents, 85.7 per cent owned family car(s) and used them as the means to buy products; public transportation was used but no percentage identification was given. Respondents bought fresh food products because of their good quality, variety, and cheap price. They bought other kinds of non-food products because of their cheap price, wide variety, and convenience. The most frequent retailer choices were convenience stores and supermarkets (in that order). The results of this survey affirmed multiple assumptions made by previous studies in relation to various markets; however, the analysis and interpretation of the data were completed only on the basis of percentage and frequency. There were some missing correlated factors that could support a deeper comprehension of the diverse backgrounds of consumers and of their buying behaviours. Furthermore, various recent studies have concluded that Japanese have become more sophisticated in terms of their perspectives on products and where to obtain them. This may affect the logistics and retailing industries in terms of smoothly transferring goods from the production location to where they are consumed. Basically, consumers' main concern is quality. When they buy food products, they choose the vegetables and fruits that are the cleanest and that are in the most perfect condition (Larke, 1994).

In consequent, according to many previous literatures on consumer regarding generation or age, living status or being single or married, new trend of male and female in the society, the distance from residence to regular shopping places, and the use of transportation such as car, this research identified the common eight demographic characteristics; such as age, gender, occupation, residence area, marital status, parental status, shopping role, and car possession, to examine whether there are similar or different results in buying agri-food at the local community retailer. This study adopted the eight demographics as used by Hackett and Foxall (1994) for their research of retailer in U.K. Moreover, the researcher was concerned with Japanese cultural and social etiquettes in requesting personal background such as educational level and monthly salary. Those eight characteristics were convenient for the customers to respond in the survey with the least negative feeling in answering the personal information. this research chose the eight demographic characteristics with the aim of finding the link between consumers' backgrounds and their perceptions towards purchasing agri-food products, especially at the target cooperative agri-food retailer, Konohana Garten. The research aims to answer the following questions and hypotheses:

13) How can the identified eight demographic characteristics define the segment and target market of the cooperative agri-food retailer?
14) Are the customers of the local agri-food retailer the same as those of other formats of retailer?
15) Do the eight demographics relate to perceptions of the retailer in terms of store recognition, association, visiting frequency, visiting preference, competitiveness, and originality?
16) Do the eight demographics relate to the retailer's retailing mix?

As there were few studies existed in previous studies on the quest of market identification for the local agri-food retailer and the relationship between customer primary characteristics and the perception of retailer and its marketing strategies, this research aims to investigate the above research questions. In Oita prefecture's consumer survey basically revealed findings on the percentage information which gave primary information in general such as age, occupation, car possession, and few more, but they were not enough to identify the specific market as the pursuing case. According to the previous studies and literatures, various consumers who were different in demographic factors, such as age, gender, marital status, occupation, and so on, can have different attitudes and perform buying behaviours diversely. Therefore, a wide range of hypotheses regarding customers' demographic characteristics, perceptions, and behaviours were considered to explore a better description on the customers who purchase agri-food products from the local community retailer.

H_1: The eight demographic characteristics of Japanese customers relate to the store perception in terms of store recognition

H_2: The eight demographic characteristics of Japanese customers relate to the store perception in terms of length of store recognition

H_3: The eight demographic characteristics of Japanese customers relate to the store perception in terms of other stores recognition

H_{4a}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of Oyama town

H_{4b}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of ‘farmers’ fresh food, vegetables, and fruits’

H_{4c}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of ‘organic agri-food products’

H_{4d}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of ‘health concern in food and agri-food materials’

H_{4e}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of ‘natural fresh flowers and trees’

H_{4f}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of ‘local agri-food products’

H_{4g}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of ‘natural food materials’

H_{4h}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of the OVOP project

H_{4i}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of ‘cooperative retailer entity’

H_{4j}: The eight demographic characteristics of Japanese customers relate to the known and recognized aspects of other matters

H_{5a}: The eight demographic characteristics of Japanese customers relate to ‘finding by chance’ as the means of getting to know Konohana Garten

H_{5b}: The eight demographic characteristics of Japanese customers relate to ‘travelling to Oyama’ as the means of getting to know Konohana Garten

H_{5c}: The eight demographic characteristics of Japanese customers relate to ‘tourism campaign’ as the means of getting to know Konohana Garten

H_{5d}: The eight demographic characteristics of Japanese customers relate to ‘friend’s introduction’ as the means of getting to know Konohana Garten

H_{5e}: The eight demographic characteristics of Japanese customers relate to ‘roadside signage’ as the means of getting to know Konohana Garten

H_{5f}: The eight demographic characteristics of Japanese customers relate to ‘family introduction’ as the means of getting to know Konohana Garten

H_{5g}: The eight demographic characteristics of Japanese customers relate to other ways of getting to know Konohana Garten

H_6: The eight demographic characteristics of Japanese customers relate to the perception of the store in terms of store visit frequency

H_{7a}: The eight demographic characteristics of Japanese customers relate to the perception of Konohana Garten as the primary store choice

H_{7b}: The eight demographic characteristics of Japanese customers relate to the perception of *michi no eki* as the primary store choice

H_{7c}: The eight demographic characteristics of Japanese customers relate to the perception of anonymous agricultural shops as the primary store choice

H_{8a}: The eight demographic characteristics of Japanese customers relate to the perception of the retailer's fame in making the primary store choice

H_{8b}: The eight demographic characteristics of Japanese customers relate to the perception of the retailer's good location in making the primary store choice

H_{8c}: The eight demographic characteristics of Japanese customers relate to the perception of the good quality of products in making the primary store choice

H_{8d}: The eight demographic characteristics of Japanese customers relate to the perception of the reasonableness of the retailer's pricing in making the primary store choice

H_{8e}: The eight demographic characteristics of Japanese customers relate to the perception of the retailer's layout design in making the primary store choice

H_{8f}: The eight demographic characteristics of Japanese customers relate to the perception of the quality of the retailer's customer service in making the primary store choice

H_{8g}: The eight demographic characteristics of Japanese customers relate to other reasons for making the primary store choice

H_9: The eight demographic characteristics of Japanese customers relate to the perception of the store's competitiveness

H_{10}: The eight demographic characteristics of Japanese customers relate to the perception of the store's originality

H_{11a}: The eight demographic characteristics of Japanese customers relate to the attitudes towards the retailing mix of Konohana Garten

H_{11b}: The age of the Japanese customers has the highest number of relationships with the attitudes to the retailing mix of Konohana Garten

H_{11c}: The marital status of the Japanese customers has the lowest number of relationships with attitudes to the retailing mix of Konohana Garten

2.1.5 Retail competition in Japan

In 1974 the Japanese government enacted the Large-Scale Retail Store Law (LSRSL) to protect domestic small- and medium-sized enterprises (Matsuura and Sunada, 2009). In 1985, though the LSRSL was still active, the number of foreign firms coming into Japan had continuously increased. Among all types of products, outlets for food and beverages made up 44.6 per cent of the total market share in terms of store numbers and 39.3 per cent of the total market share in terms of total sales (Potjes, 1993). During the 1990s, the LSRSL was amended to release the pressure on foreign investment, while the government simultaneously used the law to try to protect Japanese-owned retailers. However, when the law was finally abolished in 1998, the increased numbers of foreign firms in Japanese retail outlets in all types of product had had an inevitable influence on Japanese retailers (Flath, 2002). The number of Japanese retailers has decreased since then. The largest shrinking proportion were traditional or called 'mom and pop' shops, followed by supermarkets, department stores, which responding to the decreased expenditure per household of food consumption (Larke, 1994; Chern et al., 2002). All Japanese retailers have been shaken and have had to adjust.

This impact does not only apply to large-scale stores but also to all small-scale and traditional retailers. The difficulty was that those Japanese retailers needed to adjust and redesign their business model in terms of the organization's structure, tasks, skills, and workforce. Otherwise, the foreign retail firms would take their chance to enter the Japanese market and sweep the Japanese stores away (Ohbora et al., 1994).

> Competition creates the context within which marketing performs. At one extreme, a firm may attempt to achieve competitive equality by matching the moves of its competitors at the tactical level on a move-for-move basis. At the other extreme, to win consumer allegiance by continually developing marketing initiatives that are in some way different from those of competitors and, so the marketers hopes, perceived as valuable by consumers (Weilbacher, 1995, p. 130).

In the mid-1960s, while the number of supermarkets was growing and their advertising was not yet persuading consumers to choose particular stores or brands, most other types of retailer were choosing to avoid competition by differentiating their product assortment from that of the supermarkets instead of creating service systems or store differentiation (Kajihara, 1990, pp. 93–94). The Japanese food market, especially, grew major competitors to the foreign stores; these competitors were (in addition to discount stores, newly emerging as a result of the stagnant economy) ‘department stores, supermarkets, food speciality stores, and the ubiquitous convenience stores’ (Assmann, 2011, p. 167). The variety of retail formats originally provided a wide choice of store; it also generated the innovational sales approaches that finally motivated consumers to make choices based on pricing (Kajihara, 1990). Regional consumers had different attitudes to the retail market; for example, in the Kanto and Kansai areas, the competition in the retail market was more concentrated due to more established foreign retailers and the growth of price competition (Stahl, 2005). In 2003, according to a survey on global retailing by the Institute of Grocery Distribution, the

Japanese food retail market had a value of around €332 billion (approximately ¥43,500 billion), or 41 per cent of the total (€808 billion, or approximately ¥105,800 billion). Department stores had the highest share of foodstuffs whereas convenience stores dominated processed foods, drinks, and daily goods for neighbourhood customers (Stahl, 2005, p. 14). Nevertheless, based on the data of the Bank of Japan, there was a decline in the expenditure per capita of food consumption in Japan, from 310,470 in 2006 to 307,713 in 2007 (BMI, 2009). Japanese consumers, especially elderly people, became more price conscious than in the past, when they enjoyed a high-growth economy. Two main pieces of evidences for this change are the increase in the number of discount stores (which provide fresh foodstuffs for low prices) and the higher expenditures of consumers in dining out at department stores or supermarkets (Stahl, 2005). Hence, the food-consumption behaviours define the food retailers in terms of, for instance, quality-consciousness, assortment of various products, convenient location, organic foodstuffs, health concerns, and so on. Cross-selling values occur when large-scale food retailers, such as department stores, boost consumer demand for ready-made convenience meals (Assmann, 2011) or provide more distinctive imported food products and domestic produce to give a wider product assortment.

As a result of the numerous food scandals over the past decade – such as BSE and avian influenza – and other health concerns such as the use of *or genetically modified organisms*, Japanese consumers have embraced domestic and regional food producers to a larger extent, and this trend has been politicized in the media in discussions about the country's food security concerns (Takarajima-sha, 2008). Since the rise of industry has become reflected in a downturn in agriculture, Japan's self-sufficiency in terms of its food supply has decreased. Importation of unavailable, or uncroppable, food products and those with low production obviously continues to respond to the needs of consumers. In addition, the enactment of food laws emphasizing quality checks for safety and hygiene, such as the Food Safety Basic Law

(Shokuhin anzen kijun-hō) and the Food Sanitation Law (Shokuhin eisei-hō) (Assmann, 2011, p. 172), are strictly enforced to protect consumers from contaminated and toxic food. For Japanese farmers, this is an opportunity to put more effort into being able to compete in the food market. There are many participants in the value chain of agricultural food products, from suppliers of raw materials to producers, intermediaries, and customers. The final selling price to consumers is high due to the costs paid along the chain.

In order to respond to the higher competition from both imported goods and modern trade food outlets, Japanese farmers have opened their own agricultural retail stores. Community agricultural cooperatives have created retail enterprises to accumulate agricultural products locally and distribute them directly to consumers. Their selling system, pricing, and product assortments are unlike the strategies adopted by other retailers, which seek competitive adaptation to avoid direct competition with large-scale food retailers and avoid the risk in retail management (Kajihara, 1990); however, those values might not be appreciated by all consumers, which leaves small-scale food retailer such as Konohana Garten in an eventual, inevitable confrontation with the high competition in the retail market. In general, the retail market competition can come from within the same retail format or different format. The case study of Konohana Garten has the competition with modern trade retailers such as supermarket, superstore, and convenient stores; meanwhile it also has to compete with various local vegetable shops, traditional mom and pop grocery stores, other agricultural community stores, such as the well-known Michi no eki or the road side station. These small-sized and local fresh food retailers provide almost the same product assortments and offer simple appearances of product shelves and presentations. They may have store’s name or be anonymous. Some of them are mobile retailers, for example, they sell vegetables and fruits by driving trucks or vans with full of agri-food products around the target resident areas, parking and setting temporary shops at certain places at school’s dormitory or flea markets.

However, the competitiveness of those retailers might not be similar because of the differences in location, product quality and variety, price, and service. Many of them also sell the imported goods from China with the lower cost but lower quality in order to give a lower price to the customers. Konohana Garten may directly compete with these small retailers as well as indirectly compete with different size and format retailers because agricultural food is the basic raw material for making consumable food. Unlike other types of product, such as automobile, clothes, medicine, house, agricultural food can be bought from any retailer or according to consumers' buying patterns and perceptions towards the stores. There are various reasons on the buying behaviours of agri-food and selection of its retailers. As a result, this study provides further details concerning the Japanese retail industry, the agri-food retailing business, and community-based agricultural cooperative retailers in the later section and notes the research questions regarding the effect of retail competition in general on Konohana Garten as follow:

17) How does the retail competition in Japan influence the management of the agricultural cooperative's retailing?
18) What retail strategies has Konohana Garten used to adapt to stay competitive?

2.2 Japanese Cooperative Retail Enterprise

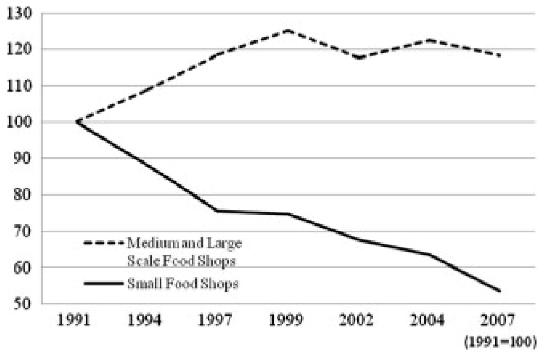
This section describes the background of the Japanese retail industry as a whole and then further focuses on the agri-food retail business and on community-based agricultural cooperatives. Recent statistics and previous studies on the Japanese retail industry show an overall decline in every retail format in the Japanese market; thus, the whole industry structure should be investigated in order to support the findings and conclusion.

2.2.1 The Japanese retail industry

The traditional food retail system does not only appear in less developed countries; it is also ubiquitous in many developed countries, such as Japan and South Korea, and has paralleled the high growth of modern trade supermarkets and department stores (Goldman and Hino, 2005). The quantity of stores increased sharply in most formats except food superstores between 1974 and 1982, which doubled in terms of the number of stores and their market share, but then expanded less between 1982 and 1991.

The retailing industry in Japan began long before World War II. Generally, it consisted of small, specialized trades. Merchants were the lowest level of social class or career during the Edo era (1603–1867) behind farmers, samurai, and shoguns. Retailers in Japan have been confronted with high competition since the abolition of the LSRSL, which allowed foreign companies to open stores in Japan (Dawson and Larke, 2004; Minami and Dawson, 2008). The Japanese distribution industry was viewed by many scholars as an old-fashioned, inefficient, and complicated structure, but there existed strong alliances without contract, known as *keiretsu*, whose members extensively shared and exchanged technology, information, and management resources (Rawws et al., 2008). These were formed to combine the role of wholesaler and retailer to support particular manufacturers. As Potjes has noted, instead of growing economically, Japanese retailing was economically backward and mysterious, with culturally anachronistic systems (1993, p. 2). When the giant Western retailers came to Japan, the number of local retailers began to decline, and this trend continued over the following decades. Figure 2.3 shows that 'mom and pop' shops have declined in quantity by around 50 per cent since 1991; in contrast, there has been a 20 per cent rise in the number of medium-to-large-scale food stores (Abe and Kawaguchi, 2010).

Figure 2.3: Number of food retail shops from 1991 to 2007



Source: Abe and Kawaguchi, 2010, p. 197.

The increasing number of foreign retailing companies might indicate that they entered the Japanese market smoothly; in fact, they faced major obstacles. A study by Czinkota and Kotabe (2000) reported the results of their survey in 1991 showing that, due to the financial crisis and continuing recession, Japanese business links dominated by *keiretsu* were fading whereas the bureaucratic practices of the Japanese government and consumer demands for high quality were remaining the same. Aside from the government's protection by law of superstores between the 1970s and the 1990s, the high number of stores in Japan was mostly caused by the existence of small-sized stores serving households who did their shopping on a daily basis because of a lack of living and food-storage space (Flath, 1990). Later, large-scale retailers became allowed in Japan after the enactment of the Large Store Location Law in June 2000 (JETRO, 2003); soon after, Japan had about two times more stores per person than America (Flath, 2002). With the improved infrastructure of logistics system as well as the high number of consumers who own a car, retail stores in Japan are flourishing and are now well-organized and able to support various retail formats and consumers' needs (Flath, 2002). Moreover, the growth of retailers as a result of their pricing strategies – such as 'everyday low price' – and their power in attracting customers came to put pressure on the manufacturers, and the retailers took control of the market policy in the distribution system (Kajihara, 1990). In their roles as distributors and influencers in the supply chain (except concerning private-label brands and products developed by retailers themselves), Japanese retailers already play many important roles in all kinds of product because they are the final stage in providing products and services to consumers and in obtaining information to send back to manufacturers.

In summary, the Japanese retail industry has proliferated for many reasons: (1) sluggish economy, (2) changes in consumers' lifestyles, (3) lowered barriers as a result of government regulations, and (4) the development of logistics systems and infrastructure. However, it has also created intense competition, not only among the same retail formats but also between different formats. The convenience provided by improved logistics is one of the key factors in retail's growth because consumers can have a more flexible mobility in buying products. Apart from public transportation, private vehicles are presently the fifth necessity in daily life in Japan if the disposable income is enough to obtain at least one (March, 2003). Although the numerous stores facilitate convenient shopping, the cost of restocking products in the various stores is significant. Retailers consequently add those costs to the prices they charge to consumers, who are willing to pay more to avoid the cost of travelling and to avoid having to sacrifice more of their small living spaces to store merchandise in bulk (Flath, 1990, p. 382). In their food purchasing, consumers have to trade off higher prices for benefits in terms of time saved travelling to the retailer's location, the freshness of products, product variety, capacity for storage, the cost of travelling, capacity for carrying products back to their homes by hand, bicycle, motorcycle, or car, and shopping experience. It is certain that each consumer would give different answers concerning their food shopping needs; however, these factors provide one explanation for the appearance and existence of various agri-food retail formats in the market. This research explores the relationship of store selection and car possession representing as one of private transports by answering the below research questions:

19) Do consumers who own cars have the same attitude to the agricultural cooperative retailer in terms of buying agri-food differently from people who don't have cars?
20) Is car possession relevant to attitudes towards Konohana Garten?

2.2.2 The Japanese agri-food retail business

Food is one of the basic physical necessities of human life (Maslow, 1943). Agricultural products are the core of this because food is essentially derived from natural resources such as plants and animals. In 2010, the World Bank divided agricultural products into four main categories: (1) tropical products, (2) temperate products, (3) seafood, fruits, and vegetables, and (4) other processed products (Aksoy and Ng, 2010, p. 18). Laroche et al. (2003) have pointed out that consumers perceive that the quality of a food product reflects its origin. Thus, where to buy products from is included in the buying decision. When Japanese consumers buy food items, they mostly go to either modern traders or conventional channels. This has been called the 'two extreme end phenomenon' (Tsunetoshi, 2012a, 2012b). Furthermore, as mentioned earlier, a large number of Japanese small-scale grocery stores have appeared to support the daily consumption of neighbouring consumers (Potjes, 1993), and agri-food retailers have applied this same neighbourhood-based theme. Since the economic stagnation of the late 1990s, agri-food retailers have confronted higher competition as a result of the abolition of the LSRSL, which allowed foreign companies to open new stores (Minami and Dawson, 2008). The other reason concerns the liberalization of international trade, which directly affects the agri-food retailing business.

Japan's GDP per capita has fallen from second to third highest in the world. By sector, the service industry such as banking, insurance, real estate, retailing, transportation, mass communication, telecommunications, and so on, contributes the most to GDP, at 73.8 per cent, while industry contributes 24.9 per cent and agriculture merely around 1 per cent (CIA, 2012). While Japan has only around 50 per cent food self-sufficiency, the prices of all agricultural products are 56 per cent higher than the global average, in order to maintain the domestic agricultural sector (Harada, 2012). Presently, Japan imports more than half its food, and the importation of food and agricultural products is increasing due to two main factors. Firstly, Japan's huge purchasing power (strong yen) makes imported food products economically attractive and, secondly, the workforce in Japan's domestic agricultural industry is steadily decreasing. The declining rate of food self-sufficiency is a result of the diversification of food consumption by consumers, which has also influenced food retail businesses in terms of the supply of products. Apart from small-scale stores, such as nearby 'mom and pop' grocery stores, the food retail business in Japan has six main modern trade retail formats: convenience stores, drugstores, food specialty stores, supermarkets, department stores, and discount stores. These large-scale retailers sometimes are also called as superstores or supercentres.

Conventional supermarkets have recently aimed to create a competitive edge in comparison with other successful food retailing formats by differentiating their offerings; specifically, by emphasizing fresh perishables, targeting health-conscious and ethical consumers, providing a better in-store experience, and offering more private-label brands to consumers (Levy and Weitz, 2009). Despite being the key player because they are important to Japan's food distribution as a result of their locations and product varieties, supermarkets have been confronted with declining sales (Assmann, 2011). Meanwhile, the ubiquitous convenience stores emerged in the Japanese food market around the 1960s as the distributors of processed and ready-to-eat food items in consumers' neighbourhoods, addressing the lack of storage capacity in their residences. As the demand for fresh foodstuffs increased, the convenience stories started catching up with consumers' needs via market extension (Assmann, 2011).

Whereas drugstores target food products that address health concerns, such as supplements and dried food, food specialty stores mainly import a wide variety of food items, mostly ingredients and raw materials. They both often appear in the form of the ‘shop-in-a-shop’ system, operating in the food section of department stores (Assmann, 2011). These two formats have less quantity and variety of agri-food products; in contrast, department store food markets, discount stores, and superstores provide more quantity with different prices. According to the Japan Department Stores Association, the sales of food items in 2008 accounted for 26.1 per cent of the total sales of the department store (JDSA, 2010), and almost one third if all sales activities related to food and catering services were included (Assmann, 2011, p. 176). However, the number of department store outlets has decreased since the early 1990s because of the economic sluggishness and the coming of giant discount stores. The discount stores, superstores, or supercentres have a key advantage in their ability to provide most daily-consumed products, fresh food, food ingredients, and non-food items, and at significantly lower prices. However, alongside these benefits of lower prices and the convenience of one-stop shopping (Carpenter and Moore, 2006) there are constraints such as increased travel time, bulky storage, and so on. These modern trade retailers are not only increasing the competition in general products but also in food items, and certainly in agri-food products. Food retailing has been confronted with significant changes due to the new competition from general merchandise retailing entering the market by extending their product assortment to include food (Zentes et al., 2011). This situation has increased tension in the food retail business. Since these changes in the pattern of food consumption are considered to result from the influence of market power on supply-chain policy (Bunte, 2006), the agriculturists normally sacrifice a large proportion of the selling price to the middle men for selling their products to customers. However, Japanese farmers are striving to supply domestic products to the agri-food market by differentiating their products' values as well as developing efficient retailing channels.

2.2.3 Japanese community-based agri-food retailing by agricultural cooperatives

The agricultural sector in Japan is slightly decreasing in output every year (SRTI, 2012); moreover, most farms belong to small-scale farmers or family owners (Hays, 2012). Moore (1990) defined the Japanese cooperative as 'the private cooperative institution through which farmers market their rice and other agricultural products and which serves as the major financial institution in rural Japan' (p. 137). An agricultural cooperative is, thus, a private organization founded by agricultural producers in rural areas and that is intended to support various farm operations. Agriculture is a labour-intensive process requiring various resources and raw materials, such as natural resources arable land, water, and certain temperatures, a labour force, machines and instruments, fertilizers or chemical substances, and a storehouse. The various forms of agricultural cooperative reveal their main purposes in terms of supporting farmers, such as financing or credit co-ops, warehousing or warehousing co-ops, marketing or marketing co-ops, utilizing or utilization co-ops, and purchasing or purchasing co-ops (Moore, 1990). As farmers are more specialized in agriculture, they normally forward other tasks, such as sales and marketing, to other parties. Apart from selling their harvests to middle-men traders at inevitably low prices, the other practical option for farmers is selling through their own agricultural cooperatives. Local community retailers are one solution to helping Japanese farmers to become more competitive by decreasing the cost of distribution, which also gives lower prices to customers. Retailers formed by agricultural cooperatives can participate in an important part of Japanese retail trade, especially in agri-food products. Sometimes they take the form of agricultural co-op trucks that visit neighbourhood consumers and sell products at fixed intervals, such as weekly, biweekly, monthly, or on specific days (Clammer, 1997); such mobile retailing is a way of extending their markets.

Alternatively, cooperative agri-food producers can sell to other retailers, general traders, or operate as a wholesaler in gathering community agricultural products and then performing as a retailer in selling the goods to customers. Agricultural cooperatives are established to regain market power and to decrease costs in the supply chain. Kagawa Toyohiko, founder of a Japanese cooperative in Kobe during the 1920s, considered a cooperative to be not just a retail operation but also a means to improve members’ lifestyles via educational and cultural activities (Grubel, 1999, p. 311). In the Netherlands, the four major performers in the agri-food supply chain are farmers or vegetable and fruit growers, cooperatives, wholesalers, and retailers. Each party performs its own role in moving products to customers. Farmers have four options: they may sell their products themselves or may to sell to customers via any of those three channels, through a short or long line of middle men before reaching the end customers (Bijman, 2006). The trend towards a more direct delivery of products from Japanese agricultural producers to consumers by agricultural cooperatives and communities is widely operated in Japan (MAFF, 2001). Small- and medium-sized retailers support both the local community development and the whole country’s economy (Omar and Fraser, 2010). Agricultural community retailers not only facilitate farmers in cutting the cost of distribution but also magnify the opportunity for small and medium community enterprises to contribute to national economic wellbeing. The fact that the distribution channels and origins of products are traceable to the local agricultural cooperative retailer and are transparent (Assmann, 2011) can make consumers feel more comfortable and safe in consuming domestic agri-food products. The research questions relevant to this part of the research are as follows:

21) What are the reasons for buying agri-food products at agricultural cooperative retailers such as Konohana Garten?
22) What is the most important value in buying agri-food products?

2.3 Retail Strategy and the Retailing Mix

Retail strategy is everything you see in a store. In the concept of retailing management, a potent retail strategy should comprise the target market, how the retailer's format will satisfy the target customers' needs, and plans to create a sustainable competitive advantage (Levy and Weitz, 2009). Dune et al. (2011) noted that the retail strategy should be as above – calling these elements 'specific target market, location, and the retailer's value proposition' (p. 60) – but added retail mix to the four elements.

2.3.1 Retail format

Retailers can be categories into store-based and non-store-based such as using information technology such as the internet and mobile satellite. Retail format is the foundation of the application of the retailing mix in terms of various retailer orientations, for instance 'customer orientation, valued driven, goal orientation, or coordinated effort' (Berman and Evans, 2007, p. 15). The primary concept of 'the wheel of retailing', suggested by Malcolm P. McNair (1958) in his study on the pattern of retail development, theorized the categorization of retailers based on retail personalities, misguidance, imperfect competition, excess capacity, and illusion (Hollander, 1960, pp. 37–38). This famous theory described the gradual change of retailers from distributors with low prices, low costs, low profits, and certainly low market recognition to a bigger scale in all aspects of merchandise, price, advertising, and service. It suggested the evolution of retail from low-end to medium, and high-end (Berman and Evans, 2007); nevertheless, this concept has more recently been questioned by scholars in terms of its application to all retailing under all market circumstances (Levy et al., 2005). Retail format describes the nature of the retailers' operations – that is, its retail mix or nature of merchandise and services offered, pricing policy, advertising, and promotion program, approach to store design and visual merchandising, typical locations, and customer services – that is designed to satisfy the needs of its target market (Levy and Weitz, 2009, p. 134).

Retail format consists of how retailers present themselves in order to differentiate themselves from their competitors in situations of high competition. In consequence, consumers can use it as a criterion in considering which retailer they want to visit and purchase from, according to their needs. In general, the store-based retail format can be divided into two categories: food and non-food retail formats. Food retail formats are found in traditional grocery stores, food specialty stores, supermarkets, convenience stores, superstores, hypermarkets, hard discounters, and warehouse clubs, whereas non-food retail formats can be found in specialty stores, drugstores, category killers, department stores, full-line discount stores, off-price stores, manufacturer outlets, and used stores (Rousey and Morganosky, 1996; Carpenter and Moore, 2006; Zentes et al., 2011, pp. 13–17, 31–36). Recently, the distinction between food and non-food stores has become obscure as a result of market expansion in terms of product assortment by non-food competitors (Zentes et al., 2011). In the USA, Zeithaml (1985) conducted a survey examining the impact of five demographic factors – gender, age, female working status, income, and marital status – on supermarket shopping. The results confirmed that the major shift in the demographic characteristics of consumers had led to the retail market's fragmentation into new retail formats. Furthermore, non-store-based retail formats – such as postal mail order, TV shopping, catalogue retailing, electronic mail order, virtual store or online retailing, and mobile retailing – exist to serve consumers' various lifestyles. This emerging electronic commerce is even more customized and diverse, reflecting customers' backgrounds and preferences. Retailers can provide information on products and services with much lower costs than store-based retailers; however, they need to reassure consumers regarding payment security and delivery tracking systems in order to prevent any kind of fraud or loss in the transaction.

Japan contains almost every type of food and non-food retail format, especially in the main cities. As Japan has limited space and high residential density, the large-scale retail formats – such as supercentres, superstores, or category killers such as IKEA – cannot be established in many places due to the vast space required for those box-like buildings. As a result, retail funding is another crucial issue to consider in the retail industry. Without strong financial capital, there is no retailing business. At minimum, sufficient funds are required to cover the start-up period and daily operation. This research used an agricultural cooperative enterprise – Konohana Garten – with limited financial funding from its members. Like other privately owned retailers, Konohana Garten needed to understand the foundation of the agri-food supply chain and to execute an effective retail strategy in order to survive and grow in the high competition of the food retail business.

2.3.2 Retail strategy

Retail strategy was defined by Levy and Weitz (2009, p. 134) as ‘a statement identifying (1) the retailer’s target market, (2) the format the retailer plans to use to satisfy the target market’s needs, and (3) the bases upon which the retailer plans to build a sustainable competitive advantage’ (see also Porter, 1996, 1998; Porter and Kramer, 2006). A competitive and effective retailing strategy can allow a retailer to sustainably offer the expected values to customers. Hence, every retailer needs to generate a strategic plan for its retailing operation. Berman and Evans (2007) called the retail strategy the overall plan that guides a firm, and said that it should consist of situation analysis, objectives, identification of a customer market, a broad strategy, and specific activities; they argued that, without such a plan, a retailer may be unable to cope with uncontrollable environmental factors such as consumers, market competition, technology, economic atmosphere, seasonality, and laws or regulations (pp. 76–77, 83). The retail strategy can also be considered as the proposed value in ‘a clear statement of the tangible and/or intangible results a customer receives from shopping at and using the retailer’s products or services’ (Dune et al., 2011, p. 61). It can support the retailer in achieving either short-term or long-term goals and in monitoring the outcomes of its retailing function in order to make improvements.

2.3.3 Target market and segmentation

Retailers should profoundly understand their target customers and their needs in order to provide the appropriate basic requirements regarding products and services and to be able to augment those products and services when opportunities arise. This is the foundation of generating an efficient retail strategy. ‘The quality of a retail strategy depends on how well a firm identifies and understands its consumers and forms its strategy mix to appeal to them’ (Berman and Evans, 2007, p. 198). In practice, people who visit a store are its prospective customers and represent the store’s customer traffic (Applebaum, 1951). The most hopeful scenario is that a retailer will capture all visiting prospects, but this is not the reality, not only because consumers have various needs and desires but also because they have constraints, such as finance, personal conditions, and preferences (Swait, 1984; Ratneshwar and Shocker, 1991). Customers cannot afford every product and service, nor can retailers respond to every prospect.

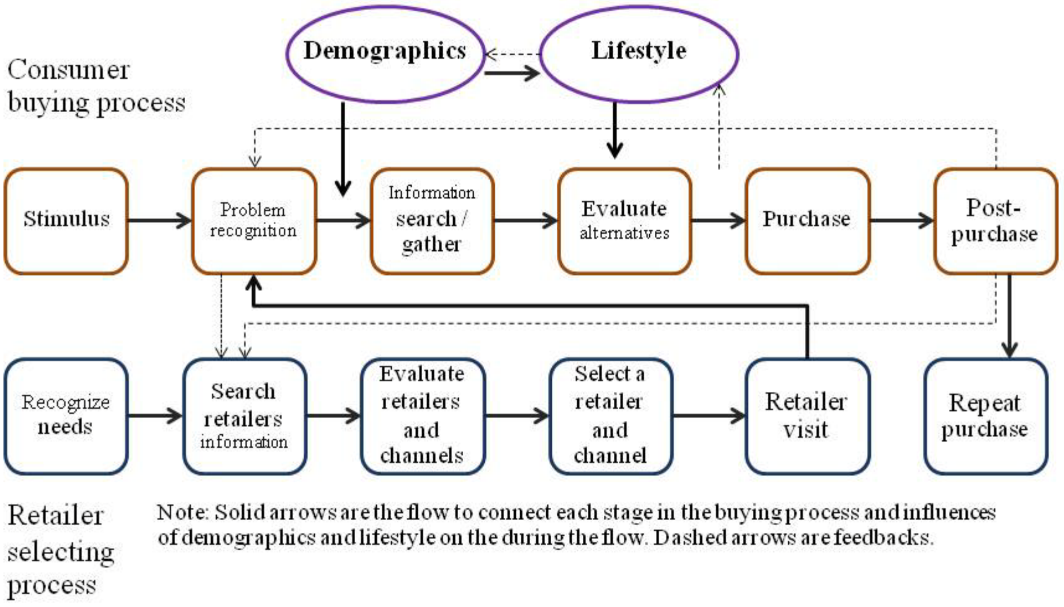
Consumer purchasing behaviour is the other consideration attached to the identification of the target market. Although Wal-Mart uses the concept of ‘one-stop shopping’ (Arnold and Fernie, 2000; Seiders and Tigert, 2000) and has food prices an average of 15–25 per cent lower than traditional supermarkets (Hausman and Leibtag, 2007), in order to capture all customers across the USA especially those in rural areas it has needed to adjust its retailing mix for stores located in areas of diversity, such as those with multiple ethnic groups. Initially, it seems like Wal-Mart does not have a target market or segmentation but just sells mass products with low prices, using the ‘everyday low price’ theme (Hoch et al., 1994; Belch and Belch, 2003). In fact, it does understand its segmentation and target market, as proved by its huge sales success and its expansion around the world. The term ‘segmentation’ is defined as how retailers identify groups of consumers who share generic characteristics. These characteristics are derived from various criteria, such as demography, geography, psychography, and feelings and behaviours such as attitudes, user status, and so on (Levy and Weitz, 2009).

The market segmentation is the method retailers use to segment, or break down, heterogeneous consumer populations into smaller, more homogeneous groups based on certain characteristics. It helps retailers to understand who their customers are, how they think and what they do (Dune et al., 2011). Retailers should be able to recognize and categorize the retail market segments in order to provide an effective retail strategy to satisfy them. In the above-mentioned Wal-Mart case, this example of a large-scale retailer might be seen to employ neither market segmentation nor segments in constructing its retail strategy; the catchy phrase ‘one-stop shopping’ could be seen to attract all market segments indiscriminately. In fact, Wal-Mart has not merely analysed market segmentation and recognized all the segments but also identified its target markets and offered retailing mixes to satisfy its target customers. Therefore, retailers have to conduct market segmentation to classify their segments and then specifically identify the key target segment or group of homogeneous customers in order to prepare a proper retail strategy and marketing efforts to maximize profitability and customer satisfaction. In addition, when conducting market segmentation, retailers also have to comprehend how customers behave in terms of their purchasing or decision-making processes and understand how these processes affect the retailer’s marketing and strategic planning.

A classic model by John Dewey (1910) suggests how consumers behave logically to obtain what they want. The model, called the ‘consumer decision process’ comprises five stages, which are problem recognition or recognizing a need, gathering all possible information, evaluating alternatives, making the decision or choice to purchase, and post-purchase evaluation or outcomes (Engel et al., 1978; Bruner and Pomazal, 1988; Bovee and Thill, 2010). Although this model has been pervasively used and is referred to in most studies, many studies have provided evidence that it might not be applicable because consumers occasionally use their emotions or feelings in responding to their needs, also called ‘impulse buying’ (Rook, 1987; Shocker et al., 1991). Sometimes consumers make purchases without going through Dewey’s process because the purchase can be made based on the culture, lifestyle, or preferences of the individual consumer (Olshavsky and Granbois, 1979). Various authors of books on retailing, such as Anderson (1993), Lewison (1997), Dune and Lusch (1999), and Berman and Evans (2007), have proposed a six-stage model of the consumer buying process as shown in Figure 2.4. They suggested the first stage – the stimulus – primarily appeared to the consumer. Levy and Weitz (2009) have the same six stages but with one extra: the choice between the evaluation and the purchase stages. Nevertheless, it is well accepted that consumers purchase based not only on internal factors (Katona and Mueller, 1955) but also on store atmosphere and consumer involvement (Sherif and Cantril, 1947; Kassarjian, 1981). Consumers are normally aroused to respond either by one stimulus or multiple stimuli originating intrinsically from a physical drive or extrinsically from social references or marketing communication from retailers (Dune et al., 2011).

Figure 2.4 illustrates the retail consumer buying process flow, which is influenced by demographics and lifestyle. After perceiving the stimulus, consumers are aware of the needs and desires that motivate them to look for more information from various sources.

Figure 2.4: The retail consumer buying process as influenced by consumers' demographics and lifestyles.



Source: Adapted from Berman and Evans 2007, p.211; Levy and Weitz 2009, p.99

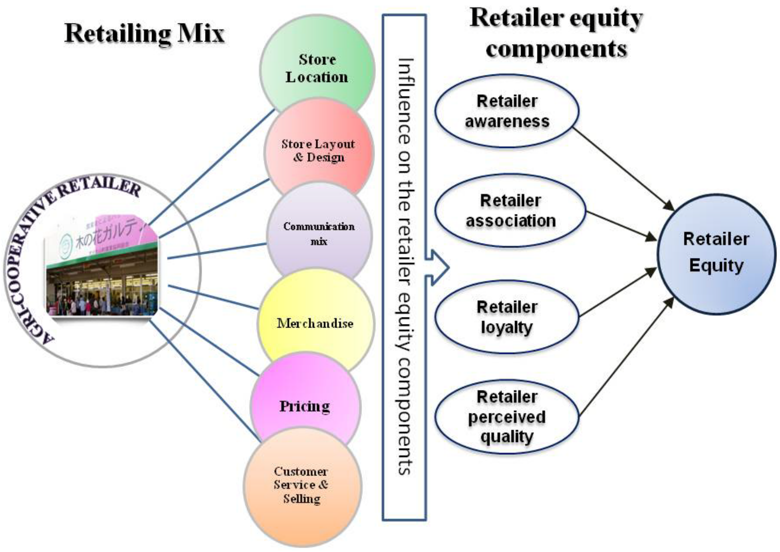
During the stage of moving from recognizing need(s) to gathering information, one of the primary constraints of consumers, which this research focuses on, is demographic characteristic. These are quantifiable and easily identifiable characteristics of the consumers, such as age, gender, occupation, income, education, and family size. These characteristics produce the conditions that support consumers' searches for information. When consumers search for information about a product, they also have to search for a retailer that provides that product. Consumers accumulate data and information in order to review their choices. The choices concern both the product or service they desire and the place or channel of retailer, for example brick and mortar store, internet website, catalogue, or mail order. In addition, consumers' lifestyle patterns and constraints will influence their decisions in purchasing the product and choosing the retailer. Lifestyles, one of the psychographic segmentation criteria, reflect how individuals think and spend their resources (time and money), whether living alone or with their families (Sheth et al., 1999; Lihra and Graf, 2007). Activities such as working, sports, shopping, hobbies, watching television, and so on are common behaviours people engage in within their daily lives. ‘The experience of purchasing is also influenced by store atmosphere such as ambient conditions, physical conditions, social conditions and symbols – such as the influence of music, colour, temperature, layout, and odours, as well as by individual consumer attributes (dispositions, emotions, and moods)’ (Uncles, 2006, p. 160). Next, consumers make purchases based on the available alternatives at the store or non-store retailer. In the last stage, when consumers have received the product, they evaluate whether it responds to their needs.

Retail customers’ experiences can be divided into two broad categories: their experiences when they are making their purchase at the store and their experiences related to the merchandise (Westbrook, 1981). When the merchandise-related experiences relate to quality and availability, there can be an overlap between merchandise and retailer-atmosphere experiences, which may motivate customers to buy (Dabholkar et al., 1996). If the customer is satisfied in terms of both the product and the experience in buying it at the specific retailer, these memories are evaluated as feedback influencing the next purchasing process. The satisfied product and retailer can be one of consumer’s alternatives in the future purchase as they provide pleasurable experiences earlier. On the other hand, if the consumer is dissatisfied with the product, he or she will likely decide not to buy the product at that retailer again. In that case, both product and retailer have created unpleasant situations. Consumers might come back to a retailer but not buy the particular product with which they were dissatisfied if they are satisfied with the retailer’s offering. Or, if they like the product but are dissatisfied with the retailer, then they may search for other retailers who offer the same product for their next purchase.

2.3.4 The retailing mix as the ingredients in constructing retailer equity

Like the four marketing elements concept (McCarthy, 1960) and the marketing mix (Borden, 1964), the composition of the retailing marketing mix has been explained widely. The retailing mix (Lazer and Kelley, 1961) was identified by Rosenbloom (1976) as having three main components: goods and services, communication, and physical distribution. Jensen (2001) suggested that retailers should invest in improving competitiveness relative to consumer value – in other words, customer service and selling. Morchett et al. (2006) pointed out that food retailers can improve their competitiveness in terms of price, quality, and convenience. Scholars in the retailing academy have offered extensive explanations of the components of the retailing mix. The word 'mix' creates an image of various factors being blended proportionally. Various authors have suggested various combinations of retailing marketing activities. Berman and Evans (2007, p. 128) suggested that the strategy mix of a retailer should be combined with store location, operating procedures, goods/services offered, pricing tactics, store atmosphere and customer service, and promotional methods. Pradhan (2009, p. 140) considered the primary retail strategies to be store location, merchandising, pricing, and marketing. She also emphasized that many experts claim location to be the most important factor in the retail business. Levy and Weitz (2009, p. 21) described six retailing mix factors: location, store design and display, communication mix, merchandise assortment, pricing, and customer service. Zentes et al. (2011, p. 202) outlined five aspects: store location, merchandise and category management, pricing, in-store marketing, and customer-relationship management. Dune et al. (2011, p. 61) also suggested six factors: location, layout and design, advertising and promotion, merchandise, pricing, and customer service and selling. Although the terminology used by Dune et al. and Levy and Weitz is not similar, there are theoretical resemblances and their lists most likely cover all marketing activities necessary to satisfy customers. Hence, this study adapts the concepts of the retailing mix of previous scholars and examines six factors – store location, layout and design, communication mix, merchandise, pricing, and customer service and selling – to explain the retailer equity, as shown in Figure 2.5.

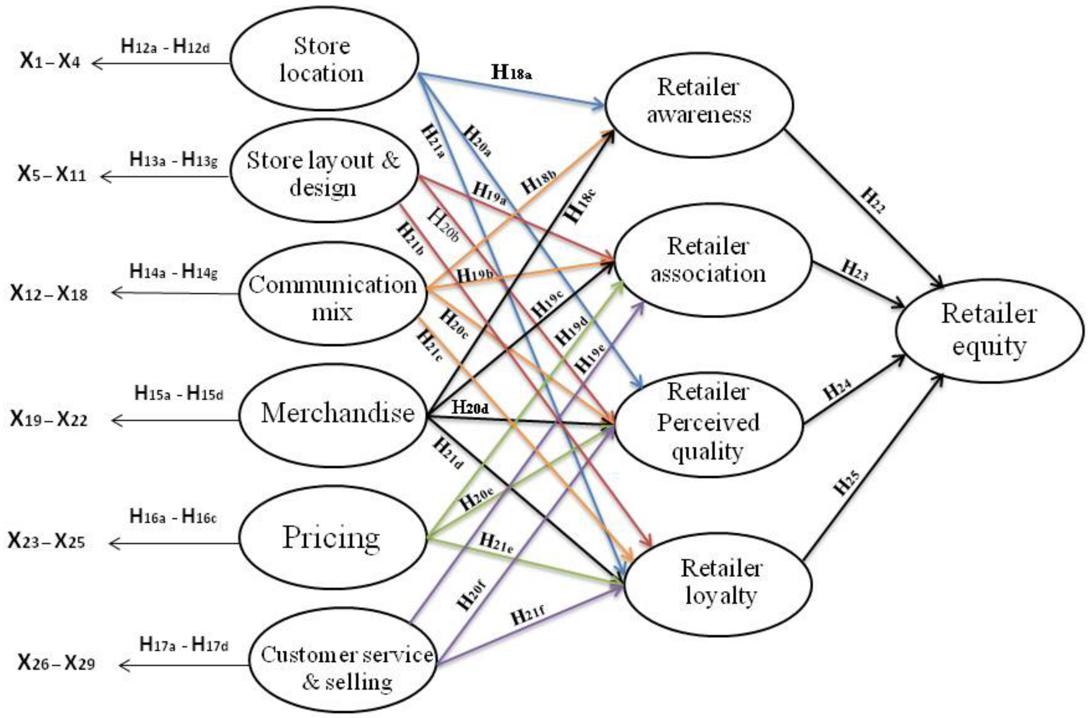
Figure 2.5: Internal marketing factors of the retail enterprise



Source: Author

An agricultural cooperative retailer is a food retailer founded by a cooperative of an agricultural community, in this case study Konohana Garten. Despite its small scale, this kind of food retailer also implements a retail marketing strategy divided into the six aspects of the retailing mix. This is because no business operates in a vacuum; they all need to understand the uncontrollable aspects of the environment and manage their performance according to what is profitable for their stakeholders. The outcomes for a retail business are mostly measured according to financial values such as profits, return on assets, and shareholder value (Bacidore et al., 1997; Wall et al., 2004); however, a financially based evaluation of an organization's performance has been found inadequate to justify marketing investments (Rust et al., 2004). The other method of examining the performance of a firm is based on the company’s impact via marketing, which can create value for the company (Terashima et al., 1999). There are many marketing assets that are considered to contribute to a company’s economic health, but brand equity and customer equity are the two major types (Rust et al., 2004, p. 81). In the retailing business – which is similar to any brand of products or services with value attached to it, which is called ‘brand equity’ (Aaker, 1991; Keller, 1993) – a retailer hold values attached to it, also called retailer equity (Ailawadi and Keller, 2004). The field of marketing literature was started by many marketing researchers, such as Keller (1998) and Pappu and Quester (2006b), and practitioners, such as Kramer (1999). Since the concept of retailer equity was derived from the similar principles of brand equity and brand management of products and services, many measurement methods can be applied, some based on the measurement of brand equity (Yoo and Donthu, 2001). Furthermore, the study of Yoo et al. (2000) on the relationship between marketing mix elements and brand equity found five links between perceived marketing mix activities and brand equity: price, store image, distribution intensity, advertising, and price promotion. These authors also concluded that future studies should include more marketing actions in order to enhance the power of brand equity (Yoo et al., 2000, p. 207). This research did not make this remark only in light of the quest for results in measuring retailer equity; it also applied comprehension of the significance of retail strategy to the operating of retail business. The level of retailer equity should come from the values of retail strategy perceived by customers. Those values can also be measured based on the combination of appropriate proportions of marketing efforts in the retailing mix, as perceived by consumers or from a consumer-based perspective (Kim et al., 2003). Figure 2.6 illustrates all hypotheses concerning the retailing mix and retailer equity dimensions, which together form retailer equity.

Figure 2.6: Complete hypotheses of retailing mix and retailer equity relationships



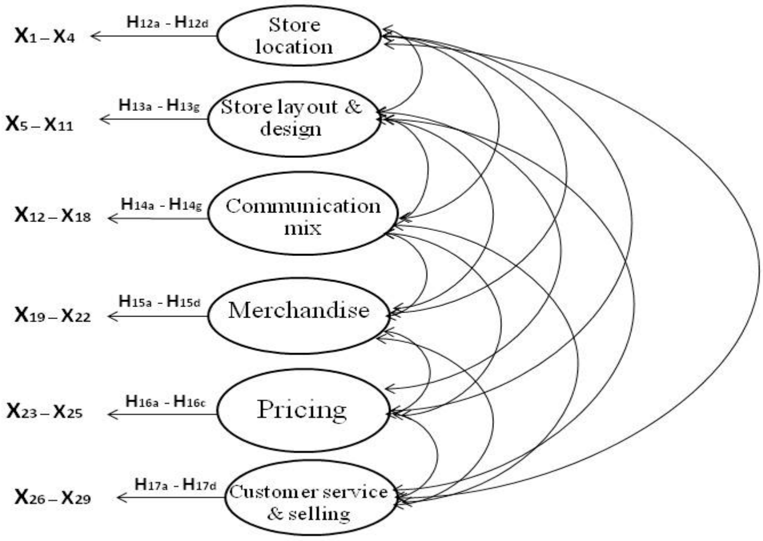
2.3.5 The importance of the retailing mix in retail business

The retail marketing mix or retailing mix is one of the most important factors in a store's sustainability and success in the retail industry (Berman and Evans, 2007; Levy and Weitz, 2009; Dune et al., 2011). The retailing mix has two major roles: to illustrate the most effective retailing strategy and to create retailer equity. In reference to merchandise, it covers both categories of desirable aspects of products: width and depth, and variety. Many authors also consider product quality and packaging to fall into this aspect. Customer perceptions of pricing can broadly be split into premium, medium, and low. However, in this study price perception is divided into reasonable price, proper price, and discounted price, to reflect Japanese culture. The retailer's location is the place where the appropriate logistics is created; in this study this is taken to include the flow of product and customer traffic to the store. It includes not only the transportation of merchandise to the store's side but also how the site facilitates customers conveniently finding the store. Store layout and design concern how the retailer creates a theme and an atmospheric shopping experience. Experiential retailing (Kim, 2001) can provide continuous creativity to increase the value of customer experiences in the store. It can entertain customers as well as convince them to stay longer and purchase more. The retailer's marketing communication mix relates mainly to how consumers obtain news and information about the retailer as well as how they interact with the retailer. This research does not engage with message content; rather it explores how consumers perceive and engage in the retailer's activities relating to various media: advertising and promotion, event sponsorship, and online social networks such as websites and Facebook. Lastly, the retailer's customer care and the augmented value provided by the selling atmosphere concerns how the retailer's staff facilitate and support customers in creating shopping experiences to satisfy their needs and expectations.

2.3.6 Customers' perceptions of the retailing mix

This study applied six retailing mixes relevant to food and agri-food retailers for which perishable merchandise is a major category. The actual efforts of retailers are measured by marginal investments; specifically: ad hoc measures such as price premium (Aaker, 1991), conjoint analysis of brand name (Rangaswamy et al., 1993; Cobb-Walgren et al., 1995), composite multiattribute weighted scores of the brand name (Park and Srinivasan, 1994), a scanner data-based measure (Kamakura and Russell, 1993), financial values of a brand – such as future earnings (Aaker, 1991), a dollar metric method comparison of consumer-based measures (Agarwal and Rao, 1996), incremental cash flow (Simon and Sullivan, 1993), equalization price (Swait et al., 1993) and momentum accounting-based value (Farquhar et al., 1991) (Yoo and Donthu, 2001, p. 1). These are usually employed in regard to the financial perspective; however, this research focuses on the customer perspective as measured by perceptions of retail marketing efforts, so-called 'consumer-based measurement' (Keller, 1993; Yoo et al., 2000; Yoo and Donthu, 2001; Kim et al., 2003; Pappu and Quester, 2006a). The following sections explain each retailing mix as reflected in the retail marketing efforts to attract and satisfy customers. Figure 2.7 shows the measurement structure based on each antecedent of the retailing mix.

Figure 2.7: Retailing mix measurement construct and hypotheses



<u>Store location or retailer's location</u>

Location is 'the geographic space or cyberspace where the retailer conducts business' (Dune et al., 2011, p. 61). It is the place where huge investment is sunk right at the beginning of a project. If the entrepreneur makes the right decision, it can be the most profitable aspect of the project; however, a bad site can make all products move slowly. There is always a strong battle among retailers for store locations (Kotler, 1999) because retailers usually desire to establish their stores in areas in which there are sufficient numbers of customers (Ailawadi and Keller, 2004; Berman and Evans, 2007). Many retailers choose to set up their branches in cities or urban areas because retail sites provide centres for public interaction and display the life and vitality of communities (Lew, 1989, p. 15). The availability of public transportation in accessing the store is vital for customers from either their residences or workplaces

(Geuens et al., 2003) and for the retailer's employees from their residences (Hemalatha et al., 2012; Miranda et al., 2005). Some consumers those who are without cars even require a bus stop inside a supermarket (Geuens et al., 2003). In addition, a store's proximity to main streets, roads, highways, or pedestrian areas can contribute to its traffic because consumers will prefer to visit a store that is easy to find and access rather than one that is more complicated to find (Woodside and Trappey, 1992; Hemalatha et al., 2012). Consumers may choose to visit traditional food retailers rather than faraway supercentres because of the convenience in travelling to the site (Seiders and Tigert, 2000). Consumers take store location into consideration as a primary criterion in their choice of store (Ellis and Calantone, 1994) because of the distance that they must travel; nevertheless, the emerging superstores and warehouse clubs often located at a distance from residential areas due to the requirement for a large space and non-store-based retailers such as online or satellite retailers are becoming more common in the market and are making location to some extent less crucial (Ailawadi and Keller, 2004).

Furthermore, many stores are located around tourist attractions; some even become tourist destinations themselves, such as West Edmonton Mall in Canada, which offers shopping as a tourist activity (Butler, 1991). In a survey conducted on tourists who travelled to Arizona, Colorado, New Mexico, and/or Utah, souvenir retailers – those located around tourist areas and that provided not only various souvenirs such as local handicrafts, pottery, clothing, weaving, and embroidery but also food and other products, to serve both visitors and tourists – were rated as retailers that providing better store attributes to customers (Swanson, 2004). Retailers located near tourist attractions that include rest areas near them can gain advantages in terms of store traffic from tourists, travellers, visitors, and local people because tourism creates leisure activities that respond to the various lifestyles of customers. In a recent survey of Japanese consumers in Oita prefecture, one of the findings regarding store location was that, when purchasing fresh food products, customers chose the nearness of the location for 38.7 per cent over good public accessibility for 11.5 per cent as the crucial criterion (Chamber of Commerce and Labour Department, Oita prefecture, 2008). Besides, there are 'given the importance in many retailing literature of location as a store choice attribute (Lindquist, 1975; Gensch and Recker, 1979; Howard, 1989) in particular on the benefits-to-store evocations of primary customers for the store name for most and/or least convenient location' (Woodside and Trappey, 2001, p. 153). In conclusion, store location is a significant strategy for retailers for three main reasons. Firstly, it is the basic influence on a consumer's store choice; secondly, it can be developed as a sustainable competitive advantage; and thirdly, the largest part of a retailer's investment is used in developing its location, whether it owns or rents the space (Levy and Weitz, 2009, p. 193). As a result, the research's hypotheses on store location as perceived by customers are below:

H_{12a}: Location within the city is related to the store's location strategy

H_{12b}: Good accessibility of public transportation is related to the store's location strategy

H_{12c}: Whether a location is easy to find is related to the store's location strategy

H_{12d}: Whether a location is close to tourist attractions is related to the store's location strategy

Store layout and design

Store layout and design concerns how retailers create store atmosphere (Kotler, 1973) and attract more shoppers to come to the store. However, retailers also need to transform customers into buyers to generate profits for the company (Dune et al., 2011, p. 55). Effective retailers can not only attract prospective customers but also convince them to purchase the retailer's products. The allocation of space in the retailer's location should be extensively pondered in order to maximize its use and address various purposes. A store layout should mainly comprise selling space, merchandise space, customer space, and personnel space, taking into account functions, market segments, buying motivations, and the nature of product storage (Berman and Evans, 2007, pp. 551–552). This research considers both indoor and outdoor spaces to be areas retailers can use, and includes for instance interior and exterior store design, rest areas, and parking lots. Since these days most consumers own a car, regardless of their residential area, and use it to travel to shopping areas, such as a supermarket, they expect to have ample parking spaces when visiting their preferred store (Geuens et al., 2003). The foremost objective of store design is to implement the retailer's strategy, which must be consistent with and reinforce the needs of the target markets and must develop sustainable competitiveness (Levy and Weitz, 2009, p. 508). A good store ambience, for example regarding lighting and colour scheme, can elevate the mood of customers (Miranda et al., 2005). There have been many studies on music as the major element in a retailer's atmosphere (Milliman, 1986; Yalch and Spangenberg, 1990; Baker et al., 1992), and studies of background music in retail stores have affirmed that it not only stimulates sales but also cognitively supports a positive attitude towards the store when used appropriately – for example, having a soothing or an arousing tempo, depending on the customers' activity themes (Chebat et al., 2001).

Baker (1986) suggested that there are three elements of a store's environment: social features, such as interaction between customers and employees; design features, such as the layout of the store's shelves and aisles, the colours used (see also Belizzi et al., 1983), and cleanliness; and, lastly, ambient features or called invisible cues, such as odours, sounds, and lighting effects (Golden and Zimmerman, 1986; Hui and Bateson, 1991; Eroglu et al., 2001). In practice, retailers can separate food and non-food sections as well as fresh and non-fresh departments to avoid confusion and smells. Furthermore, the shelves in each aisle should be fully filled with products (Geuens et al., 2003, p. 245). Turley and Milliman (2000) synthesized four major categories of store environment: (1) external factors, such as exterior signs, the size and height of the building, architectural style, availability of parking spaces, and entrances; (2) general interior factors, such as colour schemes, lighting, music, scents, temperature, cleanliness, and flooring; (3) layout and design factors, such as placement of merchandise, waiting areas, furniture, space design and allocation, grouping of merchandise, and traffic flow; and (4) point-of-purchase and decoration factors, such as point-of-purchase displays, signs and cards, pictures, product displays, price displays, and artwork. Moreover, they pointed to various human variables – specifically, employee uniforms, employee characteristics, crowded customer scenarios, customer characteristics while shopping in the store, and privacy issues – which psychologically contribute to the retailer's environment (Turley and Milliman, 2000, p. 194). The management of shelf design and shelf space are also very important and difficult tasks for retailers because of the dilemma posed by having limited space for an unlimited amount of products with various levels of product performances in different categories (Hansen et al., 2010). The layout of shelves is another related consideration in terms of helping customers to find products; it should be analysed according to the target market's shopping behaviour. As mentioned earlier, retailers should understand their target customers and segments, and the design of the store and use of space must serve the various behaviours and needs of customers. The senior segment deserves special attention and preparation as this segment possesses many attitudes and perceptions that are dissimilar to those of other, younger age segments. Lumpkin and Hunt (1989) gave a summary of retail practices that particularly create value in developing store loyalty for elderly customers – for instance, keeping things simple and focusing on convenience such as convenient entrances and exits, an ample number of clean and well-designed restrooms, and rest areas located in store areas. Furthermore, retailers located close to main roads or highways often attract travellers or customers who need to stop for short breaks for various purposes, such as refilling with fuel, having drinks or food, using restrooms, or resting from travelling conditions (Wansink and Ittersum, 2004). Therefore, the preparation of space to serve the needs of both senior people and travelling customers can enhance a store's traffic and profitability. A consumer survey in Oita prefecture revealed that 38.6 per cent of Japanese respondents viewed sufficient parking lots for cars and bicycles as the most important requirement among a retailer's facilities; this requirement was ranked higher than the variety of retail formats and longer opening times, at 27.4 per cent and 24.8 per cent respectively (Chamber of Commerce and Labour Department, Oita prefecture, 2008). This study gathered the main points regarding store design and use of space to generate the below hypotheses:

H_{13a}: Interior and shelf design and arrangement are related to the store's layout and design strategy

H_{13b}: Light and sound levels indoors are related to the store's layout and design strategy

H_{13c}: Attractive appearance of shops as a whole is related to the store's layout and design strategy

H_{13d}: Clean shopping and catering areas are related to the store's layout and design strategy

H_{13e}: Proper temperature within the store is related to the store's layout and design strategy

H_{13f}: Convenient parking lots are related to the store's layout and design strategy

H_{13g}: Toilet and resting area availability is related to the store's layout and design strategy

<u>Communication mix</u>

The retail communication mix is the integration of various marketing communications. Most retailers consider it to consist of advertising and promotion activities used to stimulate sales and create the image the retailer desires, according to its policy and purpose. However, nowadays the retail communication mix does not merely involve sending messages concerning selling and encouraging traffic (Gable et al., 2000); it also involves means of corresponding or interacting with customers to gather any information that could create customer relationships and strengthen the value of the retailer as long as ‘the additional benefits exceed… the augmented costs’ (Fairhurst et al., 1996, p. 30; see also Levy and Weitz, 2009). Retail marketing communications involve the process of creating and maintaining the retailer’s image, identity, and retailer equity (Belch and Belch, 2003); retailers analyse the available tools and apply the most potent to respond to market challenges.

The traditional communication mix, derived from the concept of integrated marketing communication (Schultz and Kitchen, 1997; Schultz and Schultz, 2003), comprises four main elements: advertising, sales promotion, publicity or public relations, and personal selling; however, the direct marketing and interactive media or internet marketing are nowadays also included as means to communicate with target markets (Belch and Belch, 2003, p. 16). Keller (2001) remarked concerning the communication mix that customers should be given communication options; such a choice can create a more profound impact on the customer than using only one particular method. Keller also expanded the communication mix to include nine options:

> (1) Media advertising (TV, radio, newspaper, magazines), (2) direct response and interactive advertising (mail, telephone, broadcast media, print media, computer-related (possibly including internet or social networking), (3) place advertising (bulletins, billboards, posters, cinema, transit), (4) point-of-purchase advertising (shelf talkers, aisle markers, shopping cart ads, in-store radio or TV), (5) trade promotions (trade deals & buying allowances, point-of-purchase display allowances, push money, contests and dealer incentives, training programs, trade shows, cooperative advertising), (6) consumer promotions (samples, coupons, premiums, refunds/rebates, contests/sweepstakes, bonus packs, price-off), (7) event marketing and sponsorship (sports, arts, entertainment, fairs and festivals, cause-related) (Grohs and Reisinger,

2012), (8) publicity and public relations, and (9) personal selling (Keller, 2001, pp. 820–821).

Retailers need to generate communication plans by understanding the interactive challenges of advanced technology, understanding consumers' behaviour characteristics, and finding ways to combine or coordinate different communication activities (Schultz, 2011; Katole, 2012) in order to create customer relationships and develop retailer equity.

The basic communication model can be applied to every element of the communication mix. The traditional communication model (Lasswell, 1948) comprises source or advertiser, message, which mostly created by agencies, media mix or channels, and receiver or consumer, who also responds. At the same time, there are external and internal noises affecting the perceptions of the receiver; these may be public opinion, perceived needs or attitudes, and other noise (Wells et al., 2007, pp. 104–105).'Individual receivers respond to persuasive messages based on specific circumstances. In response to persuasive communication, some receivers are motivated to attend the message, while others are not, and the motivational trigger varies across receivers and contexts' (Pfau and Parrot, 1993, p. 53). The information flows between the two groups in the form of two-way communication because the output information from one party can be the input information for the other, as well as the feedback to the information provider in return. Retailers are the most competitive when the source producers or advertisers capture the right information to make their products and services available to the target customer at the right time. Therefore, advanced information technology has had a pervasive influence on retail marketing communication.

Moreover, in the world of borderless markets, information technology has become the vital resource of retailing business (Geuens et al., 2003). In the past it was used primarily for data mining for market development, but it is now the most powerful tool for increasing the impact and accelerating the development of brands or products among consumers. Internet advertising presently involves banner ads, sponsorship, pop-up/pop-under ads, email communications, streaming video and audio clips, corporate homepages, and virtual malls (O’Guinn et al., 2006, pp. 575–579). The increasing numbers of internet users in the past decade have mirrored a significant, continuous change in consumer needs regarding social interaction and communication. In accordance with this inclination, the marketing communications of the food industry have invented new online shopping scenarios to make the process of buying easier, reduce the time to purchase, support social networking, and introduce the sharing of recipes, especially for agri-food products. Mobile advertising is now in the spotlight because consumers consider mobile phones and other gadgets to be indispensable possessions. Hence, internet and mobile devices are used extensively these days in market communication in the food industry in order to gain consumers’ attention and recognition and finally trigger the motivation to purchase products (Siriwichai, 2012).

In 1998 and 1999, despite the economic turndown, Japan was still ranked second in the world in terms of advertising expenditure, as shown in Table 2.1.

Table 2.1: The world's advertising expenditures: total advertising expenditures

1999 Advertising Expenditures				1998 Advertising Expenditures			
Rank	Country	Ad	Share	Rank	Country	Ad	Share
1	US	207,491.00	53.7	1	US	188,577.00	52.8
2	Japan	37,389.80	9.7	2	Japan	33,104.40	9.3
3	Germany	19,686.30	5.1	3	Germany	19,493.20	5.5
4	U.K.	15,421.30	4	4	U.K.	14,758.30	4.1
5	France	9,847.00	2.5	5	France	9,785.40	2.7
6	Italy	7,467.10	1.9	6	Brazil	8,328.00	2.3
7	Brazil	5,737.00	1.5	7	Italy	6,989.40	2
8	Spain	5,367.10	1.4	8	Spain	4,828.30	1.4
9	Korea	5,052.60	1.3	9	Canada	4,768.90	1.3
10	Canada	4,935.70	1.3	10	Australia	4,440.90	1.2
11	Australia	4,756.10	1.2	11	China	3,716.30	1
12	China	4,157.50	1.1	12	Netherlands	3,701.50	1
13	Mexico	4,099.40	1.1	13	Korea	3,274.80	0.9
14	Netherlands	3,774.80	1	14	Mexico	3,120.40	0.9
15	Argentina	3,230.00	0.8	15	Colombia	2,915.00	0.8
16	Hong Kong	3,103.10	0.8	16	Argentina	2,700.00	0.8
17	Colombia	2,701.00	0.7	17	Hong Kong	2,684.10	0.8
18	Switzerland	2,672.00	0.7	18	Switzerland	2,622.80	0.7
19	Sweden	1,964.90	0.5	19	Sweden	1,942.50	0.5
20	Taiwan	1,838.80	0.5	20	Taiwan	1,933.70	0.5
	Total	350,692.30	90.8		Total	323,685.00	90.6

(Unit: USD million) Source: Asahi Shimbun (2003)

Japan's advertising formats and creativity continued to evolve throughout the years of economic stagnation in order to stimulate demand from consumers. However, since the financial crisis in the USA in 2008, Japan's advertising expenditure has decreased in all traditional media by 2.6 per cent across the whole industry (Dentsu, 2012). The traditional media-advertising expenditures in 2011 of the cosmetics and toiletries industry as the highest ranked was ¥276.87 billion; this was followed by the food industry, at ¥266.19 billion, and the information and communication industry, at ¥222 billion as shown in Table 2.2 below.

Table 2.2: Advertising Expenditures by Industry in the Traditional Media (2010−2011) (Unit: ¥10 million)

Media	Newspapers		Magazines		Radio		Television		Total	
Industry	**2011**	Ratio (%)	**2011**	Ratio (%)	**2011**	Ratio (%)	**2011**	Ratio (%)	**2011**	Ratio (%)
Energy / Materials/ Machinery	**551**	**87.3**	**166**	**73.8**	**241**	**64.8**	**1,766**	**80.2**	**2,724**	**79.4**
Foodstuffs	**5,222**	**101.5**	**1,421**	**96.2**	**1,154**	**100.2**	**18,822**	**89.5**	**26,619**	**92.4**
Beverages / Cigarettes	**2,019**	**84.3**	**1,212**	**86.5**	**577**	**85.0**	**15,813**	**91.4**	**19,621**	**90.1**
Pharmaceuticals / Medical Supplies	**1,762**	**96.3**	**708**	**100.7**	**993**	**91.1**	**10,891**	**99.2**	**14,354**	**98.3**
Cosmetics / Toiletries	**2,726**	**90.4**	**3,350**	**88.0**	**467**	**102.0**	**21,144**	**98.3**	**27,687**	**96.2**
Apparel / Fashion, Accessories / Personal Items	**1,641**	**114.0**	**6,200**	**100.3**	**68**	**93.2**	**2,909**	**119.6**	**10,818**	**106.8**
Precision Instruments / Office Supplies	**479**	**104.8**	**828**	**106.6**	**35**	**76.1**	**1,288**	**77.5**	**2,630**	**89.4**
Home Electric Appliances / AV Equipment	**747**	**90.3**	**758**	**87.0**	**176**	**99.4**	**3,768**	**69.0**	**5,449**	**74.3**
Automobiles / Related Products	**1,403**	**90.7**	**831**	**85.6**	**777**	**87.3**	**9,970**	**102.2**	**12,981**	**98.6**
Household Products	**1,017**	**103.1**	**467**	**105.2**	**174**	**104.8**	**4,763**	**97.0**	**6,421**	**98.7**
Hobbies / Sporting Goods	**1,295**	**88.8**	**1,455**	**86.9**	**306**	**87.4**	**8,005**	**90.6**	**11,061**	**89.8**
Real Estate / Housing Facilities	**2,853**	**95.7**	**826**	**100.9**	**446**	**93.5**	**6,320**	**105.1**	**10,445**	**101.5**
Publications	**5,696**	**93.0**	**306**	**101.3**	**670**	**106.5**	**2,277**	**102.9**	**8,949**	**96.6**
Information / Communications	**3,831**	**100.2**	**1,584**	**97.5**	**782**	**99.0**	**16,003**	**101.0**	**22,200**	**100.5**
Distribution / Retailing	**6,943**	**102.7**	**1,044**	**86.1**	**816**	**91.8**	**9,891**	**105.6**	**18,694**	**102.6**
Finance / Insurance	**2,310**	**82.3**	**754**	**91.4**	**946**	**100.2**	**10,111**	**93.6**	**14,121**	**91.8**
Transportation / Leisure	**9,678**	**91.7**	**1,524**	**86.6**	**953**	**83.8**	**7,372**	**96.1**	**19,527**	**92.5**
Food Services / Other Services	**1,988**	**85.3**	**679**	**83.4**	**1,178**	**104.2**	**8,511**	**88.7**	**12,356**	**89.1**
Government / Organizations	**1,265**	**80.1**	**209**	**89.3**	**1,204**	**115.1**	**8,195**	**670.1**	**10,873**	**266.4**
Education / Medical Services / Religion	**2,785**	**88.7**	**1,048**	**91.1**	**479**	**102.1**	**3,267**	**95.6**	**7,579**	**92.7**
Classified Ads / Others	**3,689**	**89.4**	**50**	**92.6**	**28**	**112.0**	**1,284**	**130.9**	**5,051**	**97.4**
Total	**59,900**	**93.7**	**25,420**	**93.0**	**12,470**	**96.0**	**172,370**	**99.5**	**270,160**	**97.4**

Source: Dentsu (2012)

Meanwhile, the Japanese advertising industry has used multidisciplinary strategies by focusing more on alternative media and expanding the benefits of using it. As shown in Table 2.3, the advertising expenditures by medium during 2009–2011 in all traditional media shrank whereas all types of internet advertising increased. The continuous increase in the use of the internet as the media for advertising in Japan was opposite to the trend in magazine, newspaper, and radio advertising.

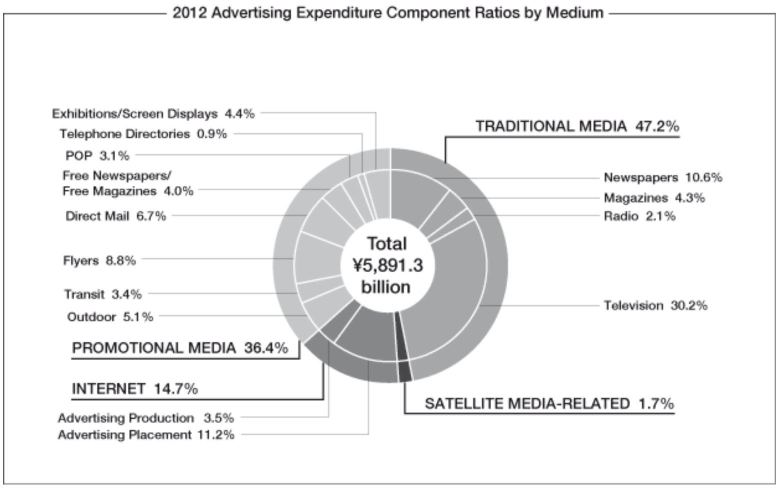
Table 2.3: Advertising Expenditures by medium (2009−2011)

	Advertising Expenditures			YoY Comparison		Component Ratio		
Media	**(¥ billion)**			**Ratio (%)**		**(%)**		
	2009	2010	**2011**	2010	**2011**	2009	2010	**2011**
Traditional Media								
Newspapers	673.9	639.6	**599.0**	94.9	**93.7**	11.4	11.0	**10.5**
Magazines	303.4	273.3	**254.2**	90.1	**93.0**	5.1	4.7	**4.5**
Radio	137.0	129.9	**124.7**	94.8	**96.0**	2.3	2.2	**2.2**
Television	1,713.9	1,732.1	**1,723.7**	101.1	**99.5**	29.0	29.6	**30.2**
Subtotal	2,828.2	2,774.9	**2,701.6**	98.1	**97.4**	47.8	47.5	**47.3**
Satellite Media-Related	70.9	78.4	**89.1**	110.6	**113.6**	1.2	1.3	**1.6**
Internet								
(Advertising placement)	544.8	607.7	**618.9**	111.5	**101.8**	9.2	10.4	**10.8**
(Advertising production)	162.1	167.0	**187.3**	103.0	**112.2**	2.7	2.9	**3.3**
Subtotal	706.9	774.7	**806.2**	109.6	**104.1**	11.9	13.3	**14.1**
Promotional Media								
Outdoor	321.8	309.5	**288.5**	96.2	**93.2**	5.4	5.3	**5.1**
Transit	204.5	192.2	**190.0**	94.0	**98.9**	3.4	3.3	**3.3**
Flyers	544.4	527.9	**506.1**	97.0	**95.9**	9.2	9.0	**8.9**
Direct Mail	419.8	407.5	**391.0**	97.1	**96.0**	7.1	7.0	**6.8**
Free Newspapers / Free Magazines	288.1	264.0	**255.0**	91.6	**96.6**	4.9	4.5	**4.5**
POP	183.7	184.0	**183.2**	100.2	**99.6**	3.1	3.2	**3.2**
Telephone Directories	76.4	66.2	**58.3**	86.6	**88.1**	1.3	1.1	**1.0**
Exhibitions / Screen Displays	277.5	263.4	**240.6**	94.9	**91.3**	4.7	4.5	**4.2**
Subtotal	2,316.2	2,214.7	**2,112.7**	95.6	**95.4**	39.1	37.9	**37.0**
Total	5,922.2	5,842.7	**5,709.6**	98.7	**97.7**	100.0	100.0	**100.0**

Source: Dentsu (2012)

Advertising expenditures on internet and satellite-related media have been going up sharply. This was actually predicted a decade ago, when those new media launched with support from advanced information technology from both international and Japanese technology companies. In 2012, advertising expenditures were still dominated by the traditional media, such as TV, radio, magazines, and newspapers as shown in Figure 2.8; television is always the most popular and carries the highest cost to invest in marketing communication, while the internet and satellite have continued to augment in advertising expenditures consistently because of the growing usage of these media from various industries.

Figure 2.8: Y2012 Advertising Expenditure Compositions by Medium



Source: Dentsu (2013)

Information interactions and transactions in the food retailing industry can also circulate along the value chain via the internet and mobile devices. Each part can both create value and input value into the next stage of the production process, towards the consuming point. The internet can not only be used as a marketing communication medium but also as a distribution channel for purchasing transactions (Hines and Bruce, 2007). The quality and quantity of food-related information are augmented these days because of the ubiquitous internet access in society. Retailers should understand the direction of Japanese consumer trends in order to employ appropriate marketing communications that chime with the retailing competition. Advertising agencies have analyse and interpret the social and cultural changes into tangibly comprehensive entities and then have creatively produced informational messages via various media to communicate with consumers. Nevertheless, Japanese retailers have continued to use the simple channels to create opportunities to interact with their customers. Based on a survey, the other elements of the communication mix used by Japanese companies were as follows: 82.1 per cent disclosed their contact information, 72.2 per cent used email as the channel for consumer contact, 63.3 per cent provided a toll-free number, 32.1 per cent utilized a monitoring system, and 26.5 per cent organized regular campaigns to seek their customers' opinions (Takita, 2007, p. 69). This study's hypotheses – based on previous literatures and studies and on visits to Konohana Garten – are as follows:

H_{14a}: Regular advertising of products and services is related to the communication mix strategy

H_{14b}: Special advertising on shops' bulletin boards is related to the communication mix strategy

H_{14c}: Mass-media advertising, for example in TV, radio, and magazines, is related to the communication mix strategy

H_{14d}: Shops' signage and banners, in various places, are related to the communication mix strategy

H_{14e}: Sponsorship of city events is related to the communication mix strategy

H_{14f}: Individual information on advertising and promotion is related to the communication mix strategy

H_{14g}: Internet websites, online shopping, and delivery are related to the communication mix strategy

Merchandise

Merchandise is all products in a store available to be purchased by the target customers. Product variety and assortment should be considered and determined according the market needs. Retailers choose the proper lines, in terms of both width and depth, to maximize customer satisfaction. Many studies in retail patronage have found that significant attitudes towards the store and store choice derived from the variety of the product assortment, though this factor ranked lower than location and price (Zentes et al., 2011). However, the merchandise strategy in the retailing mix does not merely concern the assortment but also the quantity which called SKU, or stock-keeping unit and the quality which are arranged differently based on the format of retailer. The various food retail formats – supercentres, supermarkets, convenience stores, traditional grocery shops, and so on – stock various percentages of the total categories of products, due to the stores' varied proportioning of space, pricing, and total size. For instance, conventional supermarkets contain 70–80 per cent of food items while supercentres carry only 30–40 per cent (Levy and Weitz, 2009, p. 41). In general, retailers have to consider two main level of merchandise plan: the width of the assortment relating to the number of product and service categories, or the number of product lines and the depth of the assortment referring to the amount of any single product or service category, or number of goods in a product line (Geuens et al., 2003; Berman and Evans, 2007, p. 422). Moreover, there are external factors that affect the retailer's merchandise management, including consumers' attitudes, seasonal climate, market trends, culture, and lifestyle; these are mainly related to consumers' characteristics. Retailers have to understand the target market in order to have the proper merchandise assortment to satisfy customers. Laaksonen (1999) emphasized that consumers' involvement varies between high and low in terms of their opinions about different categories of merchandise. He noted that consumers might consider detergent, normally a low-involvement product, to be a high-involvement product if its green values possessed non-enzyme heath benefits; as a consequence, there might be higher sales. Different customers notice different values of a product. Generalist retailers might have a widely diversified product assortment, offering themselves as a one-stop shopping store, whereas specialist retailers might offer specific product lines in depth (Etgar and Rachman-Moore, 2011). Presumably the higher sales margins of specialty retailers come from their selling of novelty and distinctive merchandise in a pleasurable shopping atmosphere (Bucklin, 1963; Baily and Solow, 2001). European food retailers have increased their added value by creating a complete range of ready meals with new product category to gain higher margins (Bell et al., 1997). Moreover, product proliferation in the food industry can become one of the major competitive advantages of food producers (Connor, 1981). Hence, the width and depth of the product assortment have to be managed according to many elements, such as retail format, store space, space allocation, and the target market's preferences and attitudes.

Product quality is another aspect of the merchandising strategy because it involves trust and reflects the direct value attached to the purchased goods. Consumers use various cues regarding product quality, such as price, store name, physical appearance, and brand name (Enis and Stafford, 1969; Olson, 1977; Wheatley and Chiu, 1977; Wolinsky, 1983; Milgrom and Roberts, 1986; Rao and Monroe, 1989; Brucks et al., 2000), and these are somewhat based on consumers' cultural diversity. For instance, like British and French consumers, Japanese consumers use price as an indication of the quality of products (Dawar and Parker, 1994). The perceived value of a product fulfils various levels of customers' hierarchy of needs (Maslow, 1943), which include basic needs (food, shelter), security (safety in life, health), and social acceptance (belonging, love). In food products, the quality of fresh and non-fresh product lines can differ in terms of expiration and perishability; moreover, the substances used in growing fresh food, such as chemicals and pesticides, can be considered to be equivalent to the artificial ingredients found in non-fresh food items. As a result of food scandals in both types of food product, consumers are more conscious of and cautious about product safety and about health concerns in buying and consuming food products (Tregear et al., 1994; Jones, 2001; Yeung and Morris, 2001; Havinga, 2006). This study generated the hypotheses below:

H_{15a}: The store's wide choice of products and services is related to the merchandising strategy

H_{15b}: The perception of the development of new products is related to the merchandising strategy

H_{15c}: The perception of products as high quality is related to the merchandising strategy

H_{15d}: The perception of health concerns and the safety of agricultural products is related to the merchandising strategy

Pricing

Pricing strategy is the most complex aspect because it combines various layers of scientific and sensory thinking processes. In general, different customers will have different expectations and tolerances regarding price. Price can be divided into three main classes: premium, medium, and low (Dune et al., 2011). Retailers' customers usually link their shopping experiences to their perception of the price of products in a store (Miranda et al., 2005). Economic circumstances also affect consumers' perceptions of price; for instance, during the oil crisis and the rise of large-scale stores in Japan, consumers had limited incomes and were inclined to focus more on price in planning their buying activities (Kajihara, 1990). Under conditions of high market competition, retailers' prices are not determined merely by consumers' perceptions. Prices in Japan are influenced by six factors: stage of horizontal competition among producers, wholesalers, and retailers, type of horizontal competition among brands of the same type of product, degree of low-price pressure from the customer, range of possible prices or the potential standard prices in each product line, the power balance in vertical competition, and the strength of price competition regarding the whole competition structure (Kondo, 2004, p. 285). As the economic recession is currently the major force for all participants in the supply chain, the customer's perception of price tends to be the most important factor. Furthermore, the rapid growth in information technology – such as the internet, 3G, and wifi – enables consumers to gain market information for their shopping decisions faster and more simply. Hence, these two drives – economic environment and new technology – are making retailers confront the new forms of value-based pricing that can attract customers to purchase at their stores (Grewal et al., 2012, p. 2). Customers approach a price based on their perception of the products and services provided by retailers.

The price of goods and services might not merely come from their marginal costs but also from the attached values that respond to customers' needs. Price is what consumers dispose of or sacrifice in exchange for products and services (Zeithaml, 1988). It can be distinguished into an objective monetary price (the actual price of the product) and the price as perceived by consumers (Jacoby and Olson, 1977). For instance, some consumers might consider a sack of a dozen potatoes in terms of the price per unit whereas other consumers might only see the single price of a sack, which is cheap or expensive (Zeithaml, 1988, p. 10). Therefore, customers might consider price according to an overall attitude to price perception (Holbrook and Corfman, 1985; Olshavsky, 1985), in terms of whether what they will obtain is worth sacrificing that portion of their budget. In addition, many researchers have suggested that pricing strategies have a direct influence on inventory management (Lazear, 1986; Walters, 1991; Subrahmanyan and Shoemaker, 1996). Food products are usually discounted to decrease excess stock or get rid of inventory that is close to its expiration date; hence, consumers may beneficially engage in forward buying and build up their own inventories of those discounted products (Hoffman et al., 2002). When consumers have a large amount of this discounted product in their living spaces it can minimize the opportunity to buy the same product line from other competitive retailers. Discounting or bargaining pricing strategies can be periodic, relating to various seasonal ingredients and products (Bitran and Mondschein, 1997), and these discounts can be somewhat related to retail pricing promotions aiming to boost sales and strengthen repeated purchases (Grewal et al., 2011). However, sales promotions require cautious application because they can create an image of a cheap product and reduce the perception of the quality of products as well as retailers. This research has generated the below hypotheses related to the pricing element.

H_{16a}: Customers' perceptions of price as worth value of money is related to the pricing strategy

H_{16b}: Customers' perceptions of prices as reasonable is related to the pricing strategy

H_{16c}: Customers perceive a retailer's bargaining price or discount to relate to the pricing strategy

Customer service and selling

Retailers these days provide skilful salespersons or shop-floor staffs who have hospitable personality and service-oriented minds in dealing with customers. Many retailers tend to recruit a high standard of people as frontline sales staff and give them both off-work training and on-the-job training to develop their knowledge regarding the store's products and the essential information to present to customers (Kajihara, 1990). Dabholkar et al. (1996) conducted an extensive study on the measurement of service quality in retail stores and offered five basic dimensions of retail service: (1) physical aspects (such as modern-looking equipment and fixtures, materials associated with the store's service); (2) reliability (such as just in time, performing right the first time); (3) personal interaction (such as shop staff having the necessary knowledge to answer customers, shop staff giving prompt service and regularly being courteous with customers); (4) problem solving (such as a store showing a sincere interest in solving a customer's problem); and (5) policy (such as, in terms of the quality of the merchandise, the operating hours, and the credit card acceptance policy). Their study incorporated both store layout and the quality of the merchandise in measuring service quality as these two major criteria are not just important in terms of customers' perceptions and evaluations of retailers (Oliver, 1981; Gutman and Alden, 1985; Mazursky and Jacoby, 1985; Hummel and Savitt, 1988) but also in terms of customer satisfaction concerning retailers (Westbrook, 1981). Consumers are mostly concerned with the ease of moving around in the store and of finding products, with the credit policy, and with the helpfulness of the store staff when facing problems with merchandise or other aspects (Dabholkar et al., 1996, p. 5). Small-scale retailers mostly engage in neither aggressive promotion nor product differentiation, but attain competitiveness via location and service quality (Ellis and Calantone, 1994, p. 28). As a result, customer service and selling strategy are how these retailers create a delightful shopping experience in which customers can communicate and interact with shop staff when they need assistance. Although selling is the key mission of daily operation, repeat purchases and loyalty are considered more important to retailers in the environment of high competition in the retailing industry. The customer orientation is a priority for companies wishing to thrive among their competition, and must be applied by retailers to actively respond to customers' needs (Homburg et al., 2002). Since customers are the source of revenue, retailers focus on customers' needs and expectations in developing all kinds of services in order to become a priority retailer in the customer's mind. The service may be pervasively diverse and creative, starting even before the customer enters the parking space of the store – for example, customers might see signage showing the distance to the store or a traffic person escorting pedestrians to reach the entrance.

Meanwhile, selling is a crucial operation not only in terms of giving customers answers to inquiries such as checking prices or stock inventories but also in terms of encouraging customers to make purchase decisions. Retailers' staff should create a selling scenario in which customers are stimulated and offered suitable products rather than force-selling any kind of product. Furthermore, the augmented service of home delivery from both store-based and non-store-based companies is becoming popular among customers, in particular the elderly market. Every kind of product, both food and non-food merchandise, is deliverable, depending on a country's quality of infrastructure and logistics (Punakivi and Saranen, 2001). This delivery service can encourage customers to make purchase decisions in many obvious cases in which they might otherwise find it difficult to transport products, such as when purchasing large sizes of furniture, machinery, or household appliances. As the growth of technology create numbers of multi-channel retailing business, more opportunities to sell products and to make payment transactions between customers and retailers have become greatly enhanced (Alba et al., 1997). Alternative channels – such as catalogue mail order, internet orders via electronic retailing, and home shopping via telemarketing or television or cable networks – require door-to-door delivery or a home-delivery service for orders to be completed. However, a study on UK food retailing concerning home-delivery services conducted by Cairns (1996) showed that there were both successful cases and problematic cases that retailers should take into consideration when managing home delivery. The successful cases mostly achieved simplicity, reliability, and accuracy; high levels of personal service; attractiveness; speed; competitive pricing; availability or flexibility; a wide choice of products; good market communication; parking restrictions and attractive public transport; and government support (Cairns, 1996, pp. 171–173). Because the present study emphasizes small-scale retailers in rural communities, the service areas focused on tend to be personnel issues enhanced by delivery services. As a result, the study's hypotheses concerning customer service and selling are as follows:

H_{17a}: The helpfulness of the store's staff is related to the retailer's customer service and selling strategy

H_{17b}: The friendliness of the shop staff is related to the retailer's customer service and selling strategy

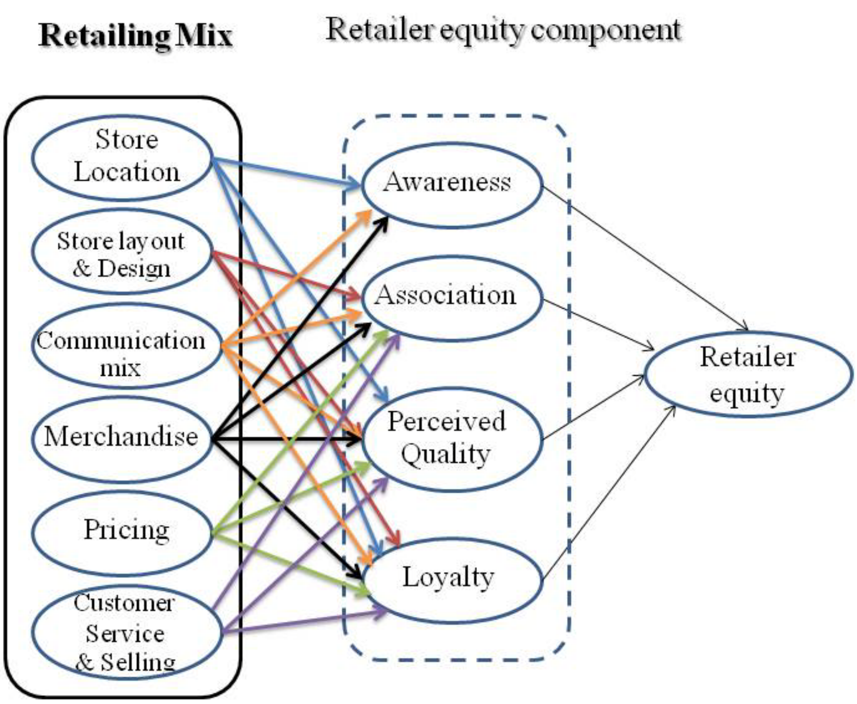
H_{17c}: The knowledgeableness of the staff in answering and advising is related to the retailer's customer service and selling strategy

H_{17d}: Home-delivery services are related to the retailer's customer service and selling strategy

2.3.7 Relationships between retailing mix and retailer equity

Since a retailer's strategy may generate various retail marketing performances, the six aspects of the retailing mix can reflect the retailer's strategic marketing management. Earlier studies on the retailing mix and retailer equity mostly used a partial retailing mix (Yoo et al., 2000; Arnett et al., 2003; Ailawadi and Keller, 2004; Pappu and Quester, 2006a) and omitted the essential concept of retailing mix as the combination of marketing actions. Customers generally consider the marketing performance of a retailer as one holistic experience (Schmitt, 1999) that yields a combination of buying experiences. Consumers are not only rational about what they want to buy based on products and prices but are also emotionally sensitive to factors such as store atmosphere and the hospitality of the floor staff, which may lead to impulse purchasing. As a result, the ultimate goal in creating the retailing mix is considered to be maximizing customer satisfaction which can help to generate retailer equity. When a retailer achieves customer satisfaction in shopping experiences (Karen and Mantel, 2001; Anselmsson, 2007; Huddleston et al., 2009), the magnitude of retailer equity is increased based on various components. Customer satisfaction occurs when customers perceive the offered value and service of the retailing experience to exceed their expectations (Berman and Evans, 2007). This satisfaction can encourage customers to make repeat purchases and become loyal to the retailer. Figure 2.9 shows the formative relationships to the retailer equity component found by previous literatures and studies on the retailing mix.

Figure 2.9: The retailing mix and retailer equity relationships



Many studies have been carried out on the causal factors encouraging store satisfaction; for instance:

> Store attributes in store location (Woodside and Trappey, 1992), nature and quality of product assortment (Claxton and Brent Ritchie, 1979; Sirohi et al., 1998), store's pricing strategy (William et al., 1978), in-store promotions (Urbany et al., 2000; Kumar and Leone, 1988), support of sales personnel (Macintosh and Lockshin, 1997;

> Mägi, 2003), and atmospherics of store (Kotler, 1974; Crawley, 1993; Yalch and Spangenberg, 1990; Babin and Darden, 1996). (Miranda et al., 2005, p. 221)

Nevertheless, in a survey of Australian grocery stores, it was found that only sales support was significantly related to store satisfaction and store loyalty (Miranda et al., 2005). Controversially, the causal factors for store satisfaction might not also contribute to store loyalty (Taher et al., 1996) because of high competition and changing consumer behaviours. Consumers might be satisfied with the retailer but easily to switch to competitive retailers for any reason. Furthermore, store loyalty, or retailer loyalty, is only one of the four main components in constructing retailer equity. The possibility that all aspects of the factors here described as the retailing mix might contribute to store loyalty has, so far, no evidence from previous studies, though the possibility is tested in this research. In consequence, either overall consumer satisfaction with the retailer or retailer loyalty, based on partially contributing factors of satisfaction, can strengthen retailer equity. This is because retailer equity grows independently of consumers' perceived values, based instead on the retailer's performance in the retailing mix. In brand equity, 'any marketing effort will be positively related to brand equity when it leads to a more favorable behavioral response to the focal product than to the equivalent unbranded product' (Yoo et al., 2000, p. 198) and the same logical concept applies to retailer equity. Consumers appreciate managerial efforts regarding the retail marketing mix when they provide a more desirable shopping experience in a particular retailer than in other retailers providing the same products and services.

2.4 Retailer Equity

The competition in the retailing business nowadays is very aggressive because the retail industry dominates all business activities engaged in selling products and services to consumers for their personal or family (household) use or for the use of business entities or institutes (Berman and Evans, 2007). Retailers are confronting various challenges from changing consumer behaviours, the political-economic situation, the saturation of locations in cities where ubiquitous retailers build next door to each other, and the world of information technology with satellite facilitation. The gap of competitive advantage is getting smaller and competitors can catch up to the market leaders and offer comparable benefits in a short time. Retailers have to improve their strategies and develop dynamic marketing activities that respond to the challenges. The other source of long-term competitiveness is to build up retailer equity. Brand equity can be described as ‘the value added by brand to the product (Aaker, 1991; Farquhar, 1989; Kamakura and Russell, 1993; Keller, 1993; Simon and Sullivan, 1993; Srinivasan, 1979)’ (Myers, 2003, p. 39), and also to the service. Retailer equity has the same foundation but in practice is more pervasive. Because retailers are the final stage of the supply chain, they have to operate under larger-scale pressures than do single firms with various products. The complications come from manufacturers – which have various levels of brands, from house brands private-label brands to non-branded products – and from wholesalers, logistics businesses, and, most importantly, consumers.

Retailer equity plays important roles not only in creating value for the retailer from the consumer’s perspective but also in representing a sustainable competitive advantage as well as thriving retail strategies. As a result, this final part of this chapter aims to elaborate the concept of retailer equity based on various studies of brand equity; the measurement of retailer equity, which is also related to how to measure brand equity; and the causal relationships between the retailing mix and the formation of retailer equity.

2.4.1 The concept of retailer equity

The concept of retailer equity was developed recently based on the concept of brand equity. The concepts are linked because, once a value has been attached to a brand of tangible or intangible products and services, a retailer can achieve the same consequence with successful branding. Since the retailer is where consumers obtain products and services, the value attached to the retailer should be at least compatible to what those branded products and services offer. Retailer equity derives from the value of products and extends to generate value in the place where the transaction occurs. Therefore, the principles of brand equity should firstly be explained, followed by how they apply to retailer equity.

A brief definition of brand equity given by many scholars, which is similar to what Farquhar (1989) argued, is that brand equity is the incremental value of a product generated by the brand name (Srinivasan, 1979; Aaker, 1991; Srivastava and Shocker, 1991; Kamakura and Russell, 1993; Keller, 1993; Simon and Sullivan, 1993; Cobb-Walgren et al., 1995; Myers, 2003). Brand equity contains not just the asset of value but also the liabilities linked to its name and symbol that its customers can attach with when they purchase the product or service (Aaker, 1991, 1996). Customers' responses to the same level of compelling marketing activities and product attributes are different for unbranded and branded products and services (Yoo and Donthu, 2001). The greater consumers' confidence in a brand, the greater the value of the brand over its competitors; as a result, brand equity can be manipulated in terms of the perceived attributes and desirability of the brand (Lassar, 1995). In general, retailers' brands hold more multiple layers in nature than the brands of product. Furthermore, with the concept of 'you are what you sell', the image and positioning of the retailer can be advocated by the product's brands as well (Ailawadi and Keller, 2004). The structure of retailer equity parallels that of brand equity in terms of its construction and formation (Keller, 1998).

2.4.2 Measuring consumer-based retailer equity

There are three distinct notions of brand equity – the consumer-based perspective; the financial perspective (Simon and Sullivan, 1993), which focuses mostly on stock prices and brand replacement, reflecting the prices of the firms (Myers, 2003); and the combined perspective (Dyson et al., 1996; Motameni and Shahrokhi, 1998), suggested by Kim et al. (2003). However, Myers (2003) noted that brand equity is studied in two groups in the marketing literature: consumer perceptions such as awareness, association, or perceived quality), and consumer behaviour such as loyalty and paying different prices. The renowned and most pervasive perspective is the consumer-based approach used by various authors since the 1990s, while 'other authors, such as Louviere and Johnson, 1988; Yovovich, 1988; Shaky, 1989; MacLachlan and Mulhern, 1991 treat brand equity as brand name importance, since the name of a brand is often its core indicator' (Myers, 2003, pp. 40–41). Since consumer-based measurements are applied concerning the cognitive and behavioural levels of brand equity by targeting individual customers by means of a customer survey (Yoo and Donthu, 2001), a similar measurement approach could be used to understand the benefits of retailer equity, such as enhancing the efficiency and effectiveness of marketing programs via a reliable, valid, and economical method (Yoo and Donthu, 2001, p. 2). It is obvious that consumer-based brand equity is widely recognized because the results and literatures concerning this approach have been applied successfully in business practice. The five components of consumer-based brand equity suggested by David Aaker (1991) are awareness, associations, perceived quality, loyalty, and other proprietary or brand assets such as intellectual properties and trademarks. However, only four measurable dimensions that are relevant to consumers' behaviours and perceptions – brand awareness, brand association also sometimes used as brand image, perceived quality, and brand loyalty – are extensive accepted and applied by many researchers, such as Keller (1993), Yoo et al. (2000), Yoo and Donthu (2001), Kim et al. (2003), Myers (2003), and Pappu et al. (2007). Therefore, retailer equity has been studied in a similar way to the elements of brand equity by adapting the four components – retailer awareness, retailer association, retailer perceived quality, and retailer loyalty – to the construct of consumer-based retailer equity (Arnett et al., 2003; Ailawadi and Keller, 2004; Pappu and Quester, 2006a). Consumer-based retailer equity is measured based on these above four factors through a consumer survey, by measuring each individual consumer's attitude and behaviour towards the focal retailer.

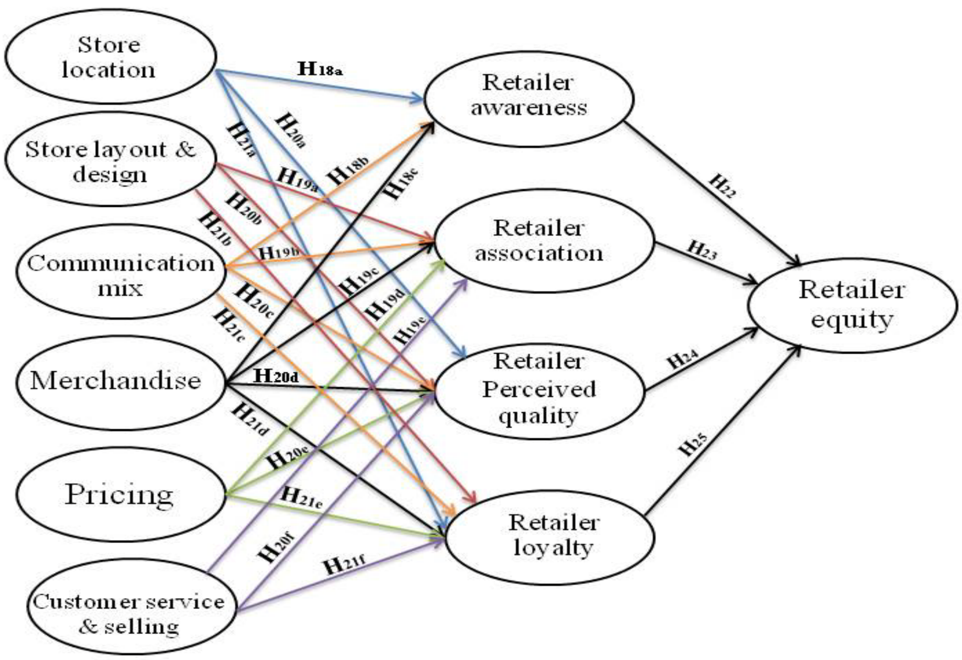
In the past decade there have been few attempts to measure retailer equity compared to the larger volume measuring brand equity, even though the principles of product branding and brand management can be applied to retail branding as well (Ailawadi and Keller, 2004). The measurement of retailer equity has been sought by using consumers' attitudes and perceptions towards the retailer as the foundation. Yoo and Donthu (2001) suggested that the methods for measuring brand equity could be employed to assess retailer brand equity. Furthermore, they introduced a consumer-based brand equity scale, comprising brand awareness in combination with association, brand loyalty, and perceived quality. Later, Arnett et al. (2003) suggested that retailer equity is the multi-dimensional combination of name awareness, retailer associations, service quality, and store loyalty. Moreover, they thought that product quality and perceived value are both included in the dimension of retailer association. Recently, an empirical study by Pappu et al. (2005) using structural equation modelling in testing multi-dimensional retail equity described two important issues. One is that the measurement of the consumer base in retail equity can be expanded and can match the concept of brand equity of Aaker (1991). The other is that retail equity or retailer brand equity is the value consumers link to a distinct 'four-dimensional construct' (Pappu and Quester, 2006a, p. 326) of retailer awareness, retailer association, retailer loyalty, and retailer perceived quality. This research generated the major assumption that retailer equity can be constructed based on the impact of the retailing mix. Because any marketing activity can be positively connected to retailer equity (Yoo et al., 2000), the present study adapted the study of Yoo et al. (2000) on the relationships between selected marketing mix elements and brand equity. Their study suggested that the marketing mix has five elements – price, store image, distribution intensity, advertising spending, and price deals – and that these affect the three dimensions of brand equity: perceived quality, brand loyalty, and brand awareness combined with association. Nevertheless, there are two main issues of their study that are questioned by this research: the combined dimension of awareness and association and the selected marketing mix. Firstly, based on the study of Pappu and Quester (2006a), it is obvious that retailer equity should be constructed based on four distinct components. Secondly, it is important to primarily emphasize on the retailing mix because Yoo et al. (2000) also noted as one of their research limitations and recommendations that the variety and quantity of the selected marketing mix should be considered to add on or adjust for the better results.

In consequence, this research intended to study the connection between the retailing mix (or the retailer’s marketing efforts) and the four dimensions that measure retailer equity. Since customers usually perceive the values of a retailer through its retailing mix, the measurement should apply the retailing mix as a factor that influences the retailer equity dimensions. By using the case study of Konohana Garten, the branded name of an agri-food retailer formed by an agricultural cooperative in Japan, this research aims to investigate each construct of the retailer equity dimension affected by the retailing mix.

2.4.3 Retailing mix influences on retailer equity through retailer equity dimensions

The systematic measurement of consumer-based retailer equity has recently been investigated by authors such as Arnett et al. (2003) and Pappu and Quester (2006a). Due to the nature of measuring the cognitive and behavioural traits of consumers, a single measurement might not be sufficient to draw conclusions. If it is difficult to measure the brand equity of products or services, the measurement of retailer equity involves even greater challenges. In general, brand equity is linked to the marketing outcomes for a branded product or service as compared to the outcomes for other products or services (Ailawadi and Keller, 2004). As mentioned above, this research intended to measure the retailer equity of the focal retailer, Konohana Garten, based on its customers' perception of its retailing mix. The formative relationships of causality (Gaskin, 2012) from the retailing mix to each dimension of retailer equity and from each dimension to retailer equity are applied to test the hypotheses. The hypotheses in the structural model of retailer equity related to four dimensions of retailer equity, influenced by six elements of retailing mix, are shown in Figure 2.10. The higher-order structure (Koufteros et al., 2009) from retailing mix construct to retailer equity was used to test the existence of a formative causality relationship, which determined the meaning of latent variables from the content of all indicators simultaneously (Diamantopoulos et al., 2008).

Figure 2.10: Hypotheses in the structural modelling of retailer equity



Retailer awareness and the retailing mix

The reason for recognizing or recalling a brand can derive from many factors, such as extensive advertisements (or the market communication mix), wide distribution (multiple store locations), or long-term business sustainability (Aaker, 1991, p. 65). Although most customers cannot remember all products stocked by a retailer, the image or perception of the quality and quantity of available products could satisfy customers' needs (Rao and Monroe, 1989). Hence, the merchandising strategy has an implied relationship to retailer awareness. The related hypotheses are as follows:

H_{18a}: Retailer awareness is positively related to the degree of evidence concerning the store location

H_{18b}: Retailer awareness is positively related to the degree of evidence concerning the communication mix

H_{18c}: Retailer awareness is positively related to the degree of evidence concerning the merchandise

Retailer association and the retailing mix

There are plenty of means of association with a brand, such as product attributes, customer benefits, relative price, use or application, the lifestyle and personality of the customer, or the country or geographic area where the product originated (Aaker, 1991, p. 115). Retailer equity can create an association with the retailer based on those aspects. Retailers can manage their merchandising strategy and augment it with customer service and selling, offering customers the benefits they expect; furthermore, they can create pricing schemes to match customers' perceptions of the products and the store. In terms of the products' characteristics, in this case (various agri-food products), the store's atmosphere is designed to represent the image of a home town or of agri-food products originating from local farmers, and this image is consistently supported by the store's marketing communication mix (Aaker, 1991; Keller, 1993; Yoo and Donthu, 2000).

H_{19a}: Retailer association is positively related to the degree of evidence concerning store layout and design

H_{19b}: Retailer association is positively related to the degree of evidence concerning the communication mix

H_{19c}: Retailer association is positively related to the degree of evidence concerning the merchandise

H_{19d}: Retailer association is positively related to the degree of evidence concerning pricing

H_{19e}: Retailer association is positively related to the degree of evidence concerning the customer service and selling

Retailer perceived quality and the retailing mix

The perceived quality of a brand can relate to its objective quality, its product-based quality, and its manufacturing quality, and also to intangible or overall feelings that reflect how consumers perceive the brand (Aaker, 1991, p. 85). These intangible feelings can derive from the service quality and ambience provided by the retailer (Baker et al., 2002; Ruiz-Molina and Gil-Saura, 2008). Pappu and Quester (2006a) measured retailer perceived quality by mainly using product attributes as its antecedents, but this study adapted the concept of 'application service quality' of Arnett et al. (2003) and other authors, which relates to the contribution of perceived service quality to the retailer's image, which in turn relates to the quality of the retailer (Bruner and Pomazal, 1988; Rao and Monroe, 1989; McDougall and Levesque, 2000; Bhattacharya and Sen, 2003; Payne and Frow, 2005). Price is always used as a cue regarding the quality of products and services (Aaker, 1991), especially when customers do not pay attention to surrounding factors such as store layout and design and services. Pricing can be either premium or competitive (Sweeney et al., 1999; Swait and Sweeney, 2000; Ruiz-Molina and Gil-Saura, 2008). Lastly, Yoo et al. (2000) suggested that the store location strategy should take into account distribution density because consumers are more satisfied when the products they want are available in many stores. Customers can reduce the cost of searching for products and will have more opportunities to visit a store and thus recognize both product and service quality. Meanwhile, market communication regarding the values of the retailer and the quality of the products and services must be consistent because customers' memories fade over times. Regular advertising and promotion of products and services is the key to stimulating customers (Aaker, 1991; Keller, 1993; Yoo et al., 2000) to visit a store and see its qualities. Hence, the hypotheses are as follows:

H_{20a}: Retailer perceived quality is positively related to the degree of evidence concerning store location

H_{20b}: Retailer perceived quality is positively related to the degree of evidence concerning store layout and design

H_{20c}: Retailer perceived quality is positively related to the degree of evidence concerning the communication mix

H_{20d}: Retailer perceived quality is positively related to the degree of evidence concerning the merchandise

H_{20e}: Retailer perceived quality is positively related to the degree of evidence concerning pricing

H_{20f}: Retailer perceived quality is positively related to the degree of evidence concerning customer service and selling

Retailer loyalty and the retailing mix

The measurement of retailer loyalty generally derives from an assessment of the marketing activities that encourage customers to commit to certain retail stores for particular products and services. Many researchers such as McDougall and Levesque, 2000; Zins, 2001; Lewis and Soureli, 2006 have studied service providers, whereas Chen and Quester (2006) have particularly worked on the retailing industry. Dick and Basu (1994) define loyalty as the conjunction of a positive attitude and repeat patronage. They also note that, in service loyalty, reliability and trust are the foundation for developing and sustaining customers' loyalty towards a firm (Dabholkar et al., 1996; Berry, 2002). Uncles et al. (2003) noted that loyalty involves revealed behaviour through repeat purchases.

Aaker (1991) suggested that brand loyalty can be created by treating the customer right, staying close to the customer, managing and measuring satisfaction, creating switching costs, and providing extra services (p. 50). Meanwhile, the primary source of customer satisfaction is product attributes (Howard and Sheth, 1969; Engel et al., 1978; Oliver, 1981; Woodside and Trappey, 1992; Anderson, 1993). Furthermore, store facilities and atmosphere can also create customer satisfaction that somewhat leads to retailer loyalty (Oliver, 1981; Machleit and Mantel, 2001). In order to stay close to their target customers, retailers need to persistently generate all kinds of retailing communication mixes in order to persuade and remind customers about the retailer's activities. The study of Yoo et al. (2000) found no relationship between prices and brand loyalty because loyal consumers were usually less price sensitive and willing to pay any price for their favourite brands (p. 199). Yoo et al. found that more numerous stores created store brand loyalty as a result of the higher chance of exposure to products and the reduced time spent searching for stores. The study of food retailing of Huddleston et al. (2009) differs from Yoo et al.'s study regarding price and loyalty. A store's pricing policy does not only relate to its positioning in the market such as employing the 'everyday low price' policy of most discount stores; the pricing schemes also reflect the quality of the services and products available in the store (Ailawadi and Keller, 2004). Both these elements create retailer loyalty in customers who consider price to be the highest priority in their shopping. This study's hypotheses are as follows:

H_{21a}: Retailer loyalty is positively related to the degree of evidence concerning store location

H_{21b}: Retailer loyalty is positively related to the degree of evidence concerning store layout and design

H_{21c}: Retailer loyalty is positively related to the degree of evidence concerning the communication mix

H_{21d}: Retailer loyalty is positively related to the degree of evidence concerning the merchandise

H_{21e}: Retailer loyalty is positively related to the degree of evidence concerning pricing

H_{21f}: Retailer loyalty is positively related to the degree of evidence concerning customer service and selling

2.4.4 Relationships between retailer equity dimensions and retailer equity

As the previous hypotheses are concerned with the relationships between the retailing mix and elements of the retailer equity components, they also generate an augmented set of hypotheses connecting retailing mix to retailer equity via four retailer equity dimensions.

Retailer awareness

Retailer awareness is ‘the ability to recognize or recall a retailer’ (Pappu and Quester, 2006b, pp. 5, 13), according to the definition of brand awareness as ‘the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category’ (Aaker, 1991, p. 61). Retailer awareness comes to consumers’ minds when their needs lead them to choose the retailer from which they want to purchase products and services. Retailer awareness helps customers to make decisions and grow trust over a period of time (Smith et al., 2000). For instance, in digital markets (non-store-based retailers), strong retailer awareness encourages customers to buy from a website that they trust more than others when they want to make a purchase online. For example, Amazon and eBay are online retailers with high awareness among consumers. In fact, these electronic retailers may charge higher prices than lesser-known retailers, but most consumers will be willing to pay a slightly higher price for products from trusted retailers (Smith et al., 2000, p. 111). Retailer awareness appears to create value for retailers and reflects back on the retailer’s pricing strategy as well. This study’s hypothesis on retailer awareness is as follows:

H_{22}: Retailer equity is related positively to the degree of retailer awareness lowest among four dimensions of retailer equity

Retailer association

The definition of retailer association as ‘anything related to the consumers’ memory of the retailer’ (Pappu and Quester, 2006a, p. 317) is comparable to Aaker’s (1991) definition of it, mentioned earlier. This study considers retailer association according to the research of Pappu and Quester (2006a) rather than ‘retailer associations’ in the study of Arnett et al. (2003) or ‘brand associations’ in the study of Yoo and Donthu (2001), which both suggest that retailer association is captured by the measurement of retailer image (Keller, 1993). Retailers should manage the association persistently over time alongside their overall marketing activities and should control any mistakes that occur, to minimize loss (Aaker, 1991, p. 172). Moreover, retailer association contributes to the market positioning of the retailer as it can relate to attributes, perceptions, reason-to-buy, and the retailer’s differentiation from competitors (Aaker, 1991). These are values that help the retailer to reach its target market and grow its reputation; hence, this study uses the following hypothesis:

H_{23}: Retailer equity is positively related to the degree of retailer association higher than retailer awareness but lower than retailer perceived quality and retailer loyalty

Retailer perceived quality

This study considers retailer perceived quality to be the consumer’s judgement about a retailer’s ‘overall quality or superiority of products and services with respect to its intended purpose, relative to alternatives’ (Aaker, 1991, p. 85). It has been argued that service quality, which Arnett et al. (2003) proposed to be included in the retailer equity dimension, should be separated from product quality and inserted into the category of perceived service quality by customers (Zeithaml, 1988). Hence, retailer perceived quality is the overall perception of the quality of the products and services provided by the retailer. Perceived retailer quality can be valuable in numerous ways: it can create market differentiation, a price premium, brand extensions, and reason-to-buy (Aaker, 1991, p. 86). These values can support retailers in growing more profits and enhancing their image in the long term. This research's hypothesis of retailer perceived quality is as follows:

H_{24}: Retailer equity is positively related to the degree of retailer perceived quality highest among four dimensions of retailer equity

Retailer loyalty

As brand loyalty is the core of brand equity (Aaker, 1991), this research considers retailer loyalty to be the foundation of retailer equity. Echoing Yoo and Donthu (2001) and Pappu and Quester (2006a, p. 320), this study defines retailer loyalty as 'the tendency to be loyal to a focal retailer, as demonstrated by the intention to purchase from the retailer as a primary choice'. The higher the loyalty attached to the retailer, the lower the level of competition appears (Aaker, 1991). Retailer loyalty is considered to be more important than consumers' attitudes and behaviours (Yoo and Donthu, 2001; Arnett et al., 2003) because it leads to the retailer's sales revenue (Aaker, 1991). In other words, it is a form of economic investment by the retailer and a source of competitiveness over market competitors (Ruiz-Molina and Gil-Saura, 2008) because it contributes to developing effective retail strategies (Ravald and Grönroos, 1996; Yang and Peterson, 2004). Loyal customers boost sales revenue (Gwinner et al., 1998) while allowing retailers to reduce their marketing communications budgets for drawing in new customers (Payne and Frow, 2005) and improving their brand equity (Bhattacharya and Sen, 2003). 'Loyalty towards the store has been defined as the biased behavioural response expressed over time by a decision-making unit regarding an establishment in comparison with other stores' (Ruiz-Molina and Gil-Saura, 2008, p. 307). Knox and Walker (2001) have pointed out that customer loyalty to retailers is based on the psychological decision-making process, in which perception influences behaviour through the intention to purchase (Kim and Hunter, 1993; Berger et al., 1994). Hence, this research's hypothesis is as follows:

H_{25}: Retailer equity is positively related to the degree of retailer loyalty lower than retailer perceived quality but higher than retailer awareness and retailer association

In addition, the structural modelling in this study applied a similar concept to the study of Yoo et al. (2000), which also found no indication of a direct path between the retailing mix elements and retailer equity. The calculations of the regression weights of the relationships between retailing mix and retailer equity were done separately, after the estimates concerning direct relationships. Hence, the hypotheses for indirect influences of retailing mix on the retailer equity are as follow:

H_{26a}: Retailer equity is positively related to the extent to which a merchandising strategy is implemented

H_{26b}: Retailer equity is positively related to the extent to which a store location strategy is implemented

H_{26c}: Retailer equity is positively related to the extent to which a store layout and design strategy is implemented

H_{26d}: Retailer equity is positively related to the extent to which a communication mix strategy is implemented

H_{26e}: Retailer equity is positively related to the extent to which a pricing strategy is implemented

H_{26f}: Retailer equity is positively related to the extent to which a customer service and selling strategy is implemented

Chapter 3

Research Methodology

This chapter describes this study's research design, including the conceptual framework, research methods, participants and instruments, and data analysis. This study not only included the concepts of retail marketing management and brand and retailer equity but also covered political economics and sociology in the local community in Kyushu. Hence, the study needed to employ both quantitative and qualitative methods (Saunders et al., 2007) to explore and define the proposed model underlying the concept of a retailing mix (retail marketing mix), which influences the retailer equity of this study's designated retail enterprise on the community level. By focusing mainly on the consumer-based measurement of retailer equity, this study aims to explain the causal relationships between two types of multiple variables: observed variables and latent variables. The qualitative method is also used, to support the results of the quantitative findings from the other side of the business flow: producers or service providers, which are the retailer's management, employees, and suppliers. The results of in-depth interviews with three parties show the possible sources of policy implementation and potential reasons behind the marketing actions perceived by customers. As a result, the two types of research methods are used in order to obtain the finer outcomes.

3.1 Research design

As described in the conceptual framework in Chapter 2, this research employed five stages: preparing, checking, accumulating, analyzing, and drawing conclusions. Each stage was carefully considered in the context of previous literatures and related theories.

In the first stage, the preparation phase, the researcher considered the core research question in order to focus the concepts involved. The key research question is whether the various marketing activities, the so-called 'retailing mix' (Berman and Evans 1998; Levy and Weitz 2007; Dune et al, 2011), contributes to the community's retailer equity. In the mixed-methods approach, the order in which literature is reviewed depends on which part begins first; in this case, it was the quantitative inquiry, so the literature reviews for the quantitative part were started prior to those for the other parts (Creswell, 2009). Hence, studies regarding both brand equity and retailer equity were investigated first, in order to find any issues to answer research questions. After the researcher found some gaps or unclear issues in the reviewed literatures, the research questions and hypotheses were prepared. Then, the instruments (questionnaire and interview guidelines) used in this research were developed in order to explore the data. The administered instruments were derived from various studies as sources of questions in the instrument part. Hence, the questionnaire survey and interview guidelines were produced at the end of the preparation stage and described in section 3.4.

The second stage was checking the instruments. The researcher decided to gather the data using mixed methods (quantitative and qualitative). In order to ensure the instrument was of a high quality, the researcher met with the authorized persons of the target retailer, Konohana Garten, to agree proper places and times for the survey and interviews. The purpose of the study and the anticipated results should be extensively explained to the target retailer; furthermore, the permission to collect data via a survey, interview, and observation. After the agreement was obtained, drafts of the questions in the questionnaire and in the interview guidelines were proposed to Konohana Garten's management for review and approval. After they had been corrected as per requests from Konohana Garten, the complete questionnaire set was ready for the pilot study (Teijlingen and Hundley, 2001). Twenty questionnaires were distributed in a pilot experiment to test whether this self-constructed instrument was suitable for use. Since the nominal scale (Engel and Schutt, 2010) answers in part I of the questionnaire could not be mathematically calculated to find their reliability (Bernard, 2000), the face validity (Fred, 2004; Engel and Schutt, 2010), based on the researcher's subjective assessment, was used to evaluate whether any questions needed to be corrected or adjusted. In part II of the questionnaire the measurements are on an ordinal scale, so calculation of reliability was possible for this part. Then, the researcher considered the outcomes of both indicators and found that the reliability and validity were sufficient to employ the questionnaire on the full scale in the next stage. Though the interview guidelines (the qualitative method) could not be tested via pilot interviews, all the questions were reviewed and clarified by an expert in English–Japanese translation, by the Konohana Garten manager, and by local Japanese to ensure that they were in comprehensible Japanese; this was done prior to the actual interviews with target interviewees. These interviewees were suppliers (farmers and gardeners), management (the chairman and department managers) of the retailer, and the retailer's shop employees (staff members who have direct contact with customers). Prior to the interview sessions, the researcher contacted these people and made appointments for general meetings in order to create an opened-minded atmosphere and kinship with the three groups of interviewees.

Phase three concerned accumulating data via questionnaires, interviews and observations. Primarily, the researcher intended to collect data at every shop location of the target retailer and observe all presented retailing mix elements. Konohana Garten has eight shops (in Beppu, Fukuoka, Hita, Oita, and Oyama) but only four locations were accessible, for two reasons. One was that the researcher was not permitted to conduct the survey at the three shops located as concessions in Tokiwa department stores. The other was that the shop located in Hita is mainly used as a distribution centre for gathering products from various suppliers, who are farmers and gardeners and members of the Oyama agriculture cooperative.

Hence, the survey was administered at the four stand-alone shops (privately owned or in rental areas), which were able to distribute the survey and properly assist customers with their responses when needed. The survey was performed with the permission of the respondents, who were asked whether they could spare some time to answer the questions. All respondents were customers, whether general shoppers, regular customers, accompanying people, or people passing by the entrance of the shop. To encourage the customers to participate in answering the questionnaire, Thai souvenirs, were displayed on a board that also explained the purpose of the research activity and thanked participants for their assistance. In contrast, the interview sessions were conducted at interviewees' places of work or houses, so as to make the time and place convenient for the interviewee. The researcher requested permission (via voice memos and a visual recorder) to extract and analyze the data from the interviews.

The next stage, phase four, involved the analysis of the data (counting, cutting, and processing the data from the questionnaires and interviews). The total of 430 questionnaires was checked and those with missing or incomplete data were cut. The remaining 400, which contained complete set of data, were inputted as the raw database for data processing. Meanwhile, the voice memos were decoded and translated to English by a bilingual Japanese interpreter. The complexity of the quantitative data was such that there were three main portions of statistical data analysis, according to the different scales of data: nominal, ordinal, and ratio. The results of the interview sessions were summarized to identify key issues regarding the main hypothesis of the research's conceptual framework The results of quantitative analysis can be illustrated via tables, Figures, graphs, and path analysis by computer programs.

Lastly, the conclusion phase involved describing the findings of both the quantitative and the qualitative methods. The quantitative part involved hypothesis-testing, model fit indices, interpretations of the Chi-square's significant values, exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and structural equation modelling (SEM) in the form of path analysis. Moreover, demographic variables sourced from basic questions related to retailer equity and competitiveness were discussed and were supported by the contents of the interviews. In the presentation of the results that follows, the conceptual framework is reiterated on the basis of the exploratory findings from both methods. Finally, the limitations of this research are discussed and comments are made on possible areas of future study.

3.2 Research method

This study employs mixed methods, which is an approach that combines or relates both qualitative and quantitative forms of research (Creswell, 2009). This concurrent research strategy should inquire into both types of data and thereby generate better results than using only either one (Creswell and Plano Clark, 2007). Mixed-methods questions may be open ended or closed. These two different means of acquiring data can support or reject hypotheses or research questions via comparison with previous studies and evidence (Bernard, 2000). Consequently, the analysis consists of statistical analysis of quantitative data and textual examination of qualitative data. The findings of both methods illustrate the cause-and-effect relationships in retail marketing and equity schemes.

3.2.1 Quantitative method

The quantitative method – the primary method used in this study – involves procedures covering the stages from acquiring raw data to manipulating or analyzing it to reveal the significant information and arrive at a meaningful outcome. This method is widely employed in computerized programs for data processing and statistical analysis (Render et al., 2012). It is a mathematical system that is employed to construct variables and comprehend how they bond into groups, how they are similar and different, how they correlate, and how they affect other variables (Malhotra, 2010). Variables are changing quantities; a researcher generally needs to understand why they vary and how to use them in explaining, predicting, and modelling (Feinberg et al., 2013). Generally, there are two types of variable: dependent and independent. This study mainly focuses on causal modeling, in which dependent variables are called ‘endogenous’ or ‘observed’ variables and independent variables are called ‘exogenous’ or ‘latent’ variables (Jöreskog and Sörbom, 1984; Hooley et al., 1999). Various types of statistical calculation for various variables are needed to explain the outcomes that will accept or reject the hypothesis. SPSS and AMOS are the two main programs encountered in descriptive statistics, especially in bivariate analysis, in EFA followed by CFA, and lastly in the SEM technique.

3.2.2 Qualitative method

The qualitative approach is used to confirm the outcomes of quantitative analysis (Render et al., 2012). This is because participants are able to give more detailed answers than are allowed by the quantitative method (Powell, 2003). In this study, the qualitative method was used to support and describe the external factors affecting the retailer’s non-customer stakeholders (managers, employees, and suppliers). Since this research focuses on the characteristics of the community food retailer, both internal and external factors should be considered to find the cause of those formations. The qualitative analysis points up any surrounding factors that could affect to quantitative measurement. The qualitative data obtained from interviews with three stakeholders back up the hypothesis of forces on the retail management.

Another factor was direct observation by the researcher during the collection of the questionnaires. Over the course of four months, with each visit lasting four to seven hours, the researcher was able to observe not only the buying behaviours of the customers but also the customers' social engagement and the shop staff's day-to-day work. The data from direct observation was also included in the findings since it can provide the description on the retail marketing activities of Konohana Garten based on researcher's perspective.

3.3 Participants in the research

3.3.1 The case study: Konohana Garten

This research applies a case-study approach (Yin, 1994) to the agricultural cooperative retailer named Konohana Garten. A case study targets a single or specific entity for study, whether an individual, an enterprise, or a group of various objects (Stake, 1978). Most case studies are concerned with forming conclusions that can be generalized. The principle is that, under the appropriate conditions, the same thing will always occur everywhere, like the concept of laws (Kaplan, 1964). This concept of generalization is considered to produce conclusions that can be applied regardless of the surrounding context, such as class, kind, or sequence. These law-like generalizations are the way to make the conclusions from one circumstance apply to or allow understanding of another circumstance (Lincoln and Guba, 2000). Stake (1978) proposed 'naturalistic generalization', which is a type of generalization that is based on implicit knowledge and leads to expectations rather than predictions. Such generalizations are derived *before* the formal scientific generalizations, or those based on hypothesized testing. Stake encouraged researchers to not overlook the value of the particular case and to properly describe unique contexts within the boundary of the case. In addition, when looking at the generalizability of a case study in quantitative or, especially, qualitative research, the focus should be on moving from 'what is, to what may be, and to what could be' (Schofield, 2000, p. 76). On the other hand, there was yet to control the reliability on the subjective interpretation of the verbal description. Woodside (2010) stated four key points on the disadvantages related to the implication of the case study. One critical issue was that ‘the practical relevance of a case study report to other contexts, normative implications, or prescriptive implications is questionable both on grounds of the absence of deductive theory and the collection of data to one or a very few contexts—case study research provides inadequate replications to support either generalization or practical relevance to aiding decision-making in other contexts. This argument includes the view that the process in the case study report is not necessarily relevant to any other contexts’ (Woodside, 2010, p. 65). However, this study selected this case in particular because it has many qualities from agricultural community development aspects to agri-food retailing management based on its marketing philosophy.

Konohana Garten（木の花ガルテン）was founded by Oyama Agricultural Cooperative in Oita in 1990. This first branch is the main store located near the main local road of Oyama town. It was named to give the impression of a German gardeners’ bazaar, which the cooperative’s chairman witnessed during a study trip; he later set up this retail store to look like a German barn. Over more than two decades, Konohana Garten has gradually expanded its services from selling local farmers’ agricultural food and non-food products to offering a wide variety of agriculture-related products: mainly fresh vegetables and fruits; flowers and trees; baked goods and commodities; and both food and non-food agricultural derivatives (such as processed and frozen food, wooden handicrafts, and home appliances and decorations). Currently, it also provides an organic food buffet restaurant named Sakuya-Konohanakan Café in some areas in Fukuoka and Oita. It also has an underground warehouse for dried plums (*umeboshi*), called Umekura-bussankan, which is the headquarters for the storage and organization of the annual national dried plums competition. In order to increase its accessibility to customers, Konohana Garten has expanded to have six branches – across areas of Fukuoka city, Oita city, and Beppu town – in the form of its own stand-alone shops and concessions in Tokiwa department stores (on the same floor as the supermarket section). Recently, it has expanded into e-commerce and customer communication through its homepage and social media, such as Facebook and Twitter. It is obvious that the main reasons for choosing this retailer as the representative case among community retail enterprises are its originality as an agricultural-community retailing business, the creativity of its business management, and the variety of sites and business formats it has spread across. Kennedy (1979) pointed out that heterogeneity of sites in doing research can reveal more knowledge than when the sites are similar. Hence, the heterogeneity of the shop locations may enable deeper understanding of the differences between seemingly homogeneous target customers. Moreover, Konohana Garten was the primary source behind the One Village One Product (OVOP) movement in the late 1990s. Morihiko Hiramatsu, Governor of Oita prefecture, discovered the retailer and expanded the concept into the OVOP prefectural action plan, which was widely applied and is globally recognized as the role model for agricultural cooperative retailing enterprises. For those countries that adopted Oita prefecture's concept of OVOP for their own rural development, the community enterprise is the final stage of the process for creating economic development.

The implementation of OVOP in Kyushu triggered the national roll out of the scheme by the central government at that time. The 'roadside station' (*michi no eki*) scheme (Yokota, 2004) was implemented and has remained in operation up to the present. There are currently more than 900 locations all over Japan (Koike et al., 2005). The case study presented here might not be generalizable as a 'universe singular' (Denzin, 1989). However, it forms empirical generalizations as well as statistical and verbal evidence for further consideration (Gomm et al., 2000).

3.3.2 Population and sample

In 2010, Kyushu island contains 13,204,000 people (SBJ, 2011a) out of the total Japanese population of 128,057,352 (SBJ, 2011b). Konohana Garten is well known among the residents of the island of Kyushu: it averages 2.4 million buying customers per annum (Oita Oyama Agricultural Cooperatives, 2010). Nevertheless, this study intended to use the country's population as the research population because the buying customers are Japanese from all over the country. Hence, either visitors or tourists were included as the possible customers of Konohana Garten. This study employed non-probability sampling for both quantitative and qualitative methods. It used purposive sampling (Babbie, 2007) for collecting the data via the distribution of surveys among the retailer's customers in stand-alone shops. The convenience of customers who were willing to participate in the survey was the primary concern. By using Slovin's formula – also called the Yamane formula (Yamane, 1967) – the target sample size was calculated, as per the below formula:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{128{,}057{,}352}{1+(128{,}057{,}352)(0.05)^2} \approx 400 \ (399.99)$$

N represents the population size, *n* is the sample size, and *e* is the standard error (normally acceptable at 5 per cent, or 0.05). From applying the Japanese population to the above formula, the sample size was found to be 400 people. Therefore, 430 questionnaires were distributed in the four locations where Konohana Garten has stand-alone shops: Oyama (Hita), Akeno (Oita), Nomaoike (Fukuoka), and Momochihama (Fukuoka). The distribution of the 400 questionnaires is shown in Table 3.1.

Table 3.1: The quantity of complete questionnaires in the retailer's four locations

Shop location	Respondent quantity	Proportion (%)
Oyama, Hita	103	25.75
Akeno, Oita	122	30.50
Nomaoike, Fukuoka	88	22.00
Momochihama, Fukuoka	87	21.75
Total	400	100

In contrast, snowball sampling (the non-probability method) was chosen in order to obtain a proper fidelity of information for the qualitative approach. As the interview sessions were to be held with three stakeholder parties (suppliers, managers, and shop staff), a meeting with the manager to authorize the interviews was the first priority. The study was explained to the manager and the conditions of conducting the study regarding the retailer were clarified. The target interviewees were described to the manager. The ideal was to interview two or three of each type. The supplier type should consist of individuals or representatives of families who sell any kind of their own products in the store. The manager type should consist of managers who generate the cooperative's policies and monitor their implementation. Lastly, the shop staff type should consist of employees, regardless of employment term, who work in the selling areas and interact with customers on a regular basis. The first supplier (farmer and gardener) was approached by chance at the headquarters shop at Oyama. After he was informed about the research and its purposes, he accepted the request for an interview and also introduced an additional supplier as a candidate for interview. The same thing happened with the shop staff interviews. After the first shop staff member was approved and allowed to have an interview, she introduced her colleagues, to be interviewed next after her. The snowball sampling method assisted in finding willing individuals because there was a prior recommender to refer to when subsequent individuals were invited to participate in the study.

3.4 Instruments

Mirroring the mixed-methods approach, this study used two instruments: a questionnaire and interview guidelines. The methods for preparing and using the instruments are explained separately.

3.4.1 Questionnaire

This research used a self-developed questionnaire in English, divided into three parts, each with different types of question: retailer-equity components, the attitudes of the respondent (customer) towards retailer- or customer-based retailer equity (Ailawadi and Keller, 2004; Pappu and Quester, 2006), and the respondent's demographic. Many aspects were considered when designing the questionnaire: the layout, use of space, and sequence of questions were considered to make the questionnaire easy to answer. A font size of 12 was used for easy reading throughout all questions, but this led to there being a high number of pages to accommodate all questions of three parts. Moreover, it was important for open-ended questions to have enough space for customers to enter their full comments (Brace, 2008). Respondents may initially have been discouraged by the seven-page questionnaire; however, they would have found that there were only three or four questions per page.

The first two parts of questions were derived from various literature reviews regarding the measurement of brand or retailer equity. Many researchers have recognized and extended the use of brand equity to retailer equity; for example, Ailawadi and Keller (2004) suggested that branding and brand-management principles could be applied to retail branding (Pappu and Quester, 2006). The study employed customer-based measurement of the retailing mix because the customer's perception of marketing strategies and efforts is more meaningful than the actual marketing activities themselves (Yoo et al., 2000). The customer's psychological perception of the retailer can act as feedback and reflect the effectiveness of the retailer's marketing efforts. Therefore, the questions were based on a combination of two grounded theories: retail marketing mix or retailing mix (the essence of retail management) and retail brand equity or retailer equity (the value of the retailer based on marketing efforts and policy). The third part of questions concerned demographics and contained eight questions asking for respondent's age, gender, occupation, residence address, marital status, parental status, shopping role, and car possession.

As the study targets a Japanese case study, the whole questionnaire had to be translated to comprehensible Japanese so that any Japanese customers could respond. It was important for the level of Japanese not to be too complicated and for it to be easy to understand. As of the present, the author has studied Japanese for more than eight years consecutively, has passed the JPLT (Japanese-Language Proficiency Test) at level 3, and uses Japanese as her third language. The author first generated the questions in English and then self-translated to equivalent Japanese words. Next, the whole questionnaire was checked through back-translation with the help of APU: Ritsumeikan Asia Pacific University's bilingual English–Japanese expert. The resulting Japanese version was satisfactorily compatible with the English meaning. Nevertheless, the pilot study of 20 sets was self-distributed to test not only the statistic reliability and validity but also the understanding of the Japanese wording by the respondents. The author was present at the site to affirm each respondent's comprehension as well as elaborate the meaning if needed, and there were no major issues to correct with the wording. The value of reliability test in the pilot study was satisfied at values from 0.900 to 0.989 (over the minimum threshold of 0.7) (Kwankaew, 2009; Vanichbancha, 2012). The following sections contain explanations of purposes, the sources of each question, the procedures followed, and measures employed in the three parts of the questionnaire.

Part I: General perception of the store

This part aimed to find out about the background of retailer-equity component concerning the community retailer. So far, the literature studying the perception of community-level retailing enterprises has presented no clear evidence. The first set of questions was developed to explore the primary perception of the retailer: recognition, association, frequency of visits, and top of store choices (Pappu and Quester, 2006). An additional dimension that was addressed as a sideline was that of the retailer's possible competitive advantage (Ellis and Calantone, 1994) from the point of view of customers. As the warm-up part, these questions could help respondents in forming or preparing their thoughts towards the topic before they moved on to the wider, more comprehensive questions in the later parts. The data of these questions are nominal scale (Engel and Schutt, 2010). Below are the questions of the first part along with their sources.

Question	*Reference source*
Store recognition:	
1. Do you know Konohana Garten?	Aaker (1996)
	Yoo and Donthu (2001)
	Pappu et al. (2005)
2. How long have you known this store?	Author
3. Do you know other stores, having the same concept?	Aaker (1996)
	Yoo and Donthu (2001)
	Pappu and Quester (2006)
Association theme:	
4. What aspects of this store do you know of?	Aaker (1996)
	Yoo and Donthu (2001)
5. What aspects of this store do you recognize?	Aaker (1996)
	Pappu and Quester (2006)
6. How did you discover this store?	Lew (1989)

	Belch and Belch (2003)
Frequency of visits and top of store choices:	
7. How often do you visit this store?	Aaker (1991)
8. Which of the retailers listed here is your first choice of store visit?	Aaker (1996) Yoo and Donthu (2001) Pappu and Quester (2006)
9. Why is the above retailer your first choice?	Aaker (1996) Yoo and Donthu (2001)
Competitiveness:	
10. What is the best aspect of this store?	Ellis and Clantone (1994)
11. Is the best aspect originality or compatibility with others?	Ellis and Clantone (1994) Aaker (1996)

Procedures and measures: As this part was designed to measure the results for nominal and interval scales, the respondents were asked to choose from two possible answers in question numbers 1, 3, and 11 and from multiple choices in question numbers 2, 4, 5, 6, 7, 8, and 9. Question 10 was an open ended for answering liberally. In addition, question number 3-9 and 11 were augmented by open-ended answers because the answers in the multiple-choice questions were derived from the primary interview with the store manager prior to the production of the questionnaire and according to relevant literature reviews. The free writing allowed in questions 3–11 was added to address any possibilities not covered by the suggested choices.

Part II: Customer-based retailer equity

The purpose in this part of the questionnaire was to scrutinize the attitude of Japanese customers to retailers in general as compared to their perceptions in terms of the retail marketing mix of the target retailer, Konohana Garten. The data of importance and satisfaction on the target retailer in each indicator from this part would be computed to have the 29 retailing mix scores of Konohana Garten. The questions were developed and used as proxy to investigate the causal influence of retailing mix on the retailer equity's component and on retailer equity. Hence, there are two main theoretical frameworks here to be measured. One is the retailing mix. It was constructed by the reviewing literatures in chapter 2 on the retailing mix. The adaptation of retailing mix concepts from prominent scholars delivered the six factors of retailing mix for this study as store location, layout and design, communication mix, merchandise, pricing, and customer service and selling (Berman and Evans 1998; Levy and Weitz 2009; Dune et al. 2011). The other concept is retailer equity. There were many premier studies concerned, for example, the value attributed to location by consumers in the UK (Hackett and Foxall, 1994), brand equity management and measurement (Aaker, 1991, 1996; Keller, 1993, 1998; Ailawadi and Keller, 2004), and consumer-based retail equity measurement (Yoo et al. 2000; Yoo and Donthu 2001; Arnett et al. 2003; Pappu et al. 2005; Pappu and Quester 2006). This research argues that retailer equity should be measured as a subdimension of the retail marketing mix prior to measuring the retailer equity directly. A similar concept was used in the study of Yoo et al. (2000) in adding marketing activities as the brand equity's antecedents. However, this research aims to test whether not just some components but all of the retailing mix components were actually subdimensions of the four retailer-equity components (Aaker, 1991). Consequently, the research questionnaire comprised 29 items to measure the dimension and subdimensions of retailer equity. This part was actually a double set with two sub–parts: important aspects of customers' opinions towards any retailer in general, and customers' levels of satisfaction concerning the particular target retailer. The collected data were required to directly measure not only the variables in the descriptive statistics but also the latent variables in the causal modelling analysis. The six retailing-mix components are the first-order latent variables whereas the four retailer equity components are the second-order latent variables. The data of measurement model should be, at least, an interval scale (Clason and Dormody, 1994). In many social-science works, researchers treat ordinal scales as interval scales to make them more mathematically relevant (Engel and Schutt, 2010). This study used the two sets of ordinal-scale data from the Likert scale part in calculating into scores for each item, which constituted the retailing-mix score for the target retailer. The list of 29 items used as antecedents in the hypothesized path diagram of Figure 2.7 in the previous chapter is displayed in Table 3.2.

Table 3.2: The list of 29 aspects of retailing mix

No.	Retailing-mix antecedent	Source
1	Good accessibility of public transportation	Hackett and Foxall (1994), Geuens et al. (2003), Pappu and Quester (2006)
2	Location close to tourist attractions	Lew (1989), Weidenfeld et al. (2010)
3	Store locate in the city and central area	Geuens et al. (2003)
4	Location is easy to find	Hackett and Foxall (1994), Pappu and Quester (2006)
5	Attractive appearance of shops as a whole	Hackett and Foxall (1994)
6	Interior and shelf design and arrangement	Ailawadi and Keller (2004)
7	Light and sound levels indoors	Ailawadi and Keller (2004), Pappu and Quester (2006)
8	Clean shopping and catering areas	Hackett and Foxall (1994), Pappu and Quester (2006)
9	Proper temperature within the places	Hackett and Foxall (1994), Ailawadi and Keller (2004), Pappu and Quester (2006)
10	Convenient parking lots	Hackett and Foxall (1994), Pappu and Quester (2006)
11	Toilet and resting areas available	Hackett and Foxall (1994), Pappu and Quester (2006)
12	Regular advertising on products and service	Belch and Belch (2003)
13	Special advertising on shop’s bulletin	Belch and Belch (2003)
14	Mass-media advertising such as TV, radio, magazines	Schultz (2011)
15	Shops’ signage and banner in various places	Belch and Belch (2003)
16	Sponsorship of city events	Schultz (2011)
17	Individual information on advertising and promotion	Belch and Belch (2003),
18	Internet website; online shopping and delivering	Belch and Belch (2003), Vanheems and Kelly (2009)
19	High quality of products	Aaker (1991, 1996), Hackett and Foxall (1994), Pappu and Quester (2006)
20	A wide choice of products and services	Hackett and Foxall (1994), Pappu and Quester (2006)
21	Healthy and safe agricultural products	Yoo et al. (2000)
22	New products development	Aaker (1996), Salsberg (2010)
23	Worth value of money	Hackett and Foxall (1994), Aaker (1996), Pappu and Quester (2006)
24	Reasonable prices	Geuens et al. (2003), Ruiz-Molina and Gil-Saura (2008)
25	Getting bargain or discount	Hackett and Foxall (1994), Ailawadi and Keller (2004)
26	Helpful shop staff	Hackett and Foxall (1994), Geuens et al. (2003), Ailawadi and Keller (2004), Pappu and Quester (2006)
27	Friendly shop staff	Hackett and Foxall (1994), Geuens et al. (2003)
28	Knowledgeable staff in answering and advising	Pappu and Quester (2006)
29	Home delivery services	Geuens et al. (2003)

By using the split-half reliability method, the questionnaire can be arranged by numbers and divided into two parts. It is used to estimate the correlation of the two groups' item scores and the total scores (Trochim, 2006). If the item score appears not to be correlated with the total score, it is dispensed with. However, if there is internal consistency, the value of correlation should be more than 0.7 (Engel and Schutt, 2010). The reliability of this part was tested by using SPSS software to calculate the Cronbach's alpha coefficient of the internal consistency (Malhotra, 2010). The results of Cronbach's alpha based on standardized items were between 0.706 and 0.865, which passed the acceptable value of using the data of this survey.

Procedures and measures: The customers were requested to rate each item concerning their general impressions of other retailers and their satisfaction level regarding Konohana Garten. They were needed to answer the same set of 29 questions twice based on the retailing-mix aspect. First time was required to answer as the essential base, when the second time was on the satisfaction of Konohana Garten on all the same 29 items. They were asked to evaluate each question on a five-point Likert scale, from 1 = 'least important' to 5 = 'most important' in the first 29 items and 1 = 'least satisfied' to 5 = 'most satisfied' in the second set of items. Though there is controversy concerning the mid-point alternative in Likert scales, such scales both provide a bottom line for the respondents' ideas and presume the existence of an underlying (or latent or natural) continuous variable whose value characterizes the respondents' attitude and opinions (Hooley & Hussey, 1999). The outcomes of two rating parts were calculated into one score of that retailing mix's indicator. For example, if the customers rated importance level in item 1 at 5 when rated the satisfaction level at 3, then the calculated score of item 1 equalled to 15 for of that customer. The rest of 29 scores (X1-X29) for each item were calculated the same way for every respondent. X1-X4 reflected the store's location, X5-X11 measured store layout and design, X12-X18 examined the communication mix, X19-X22 checked the merchandise aspect, X23-X25 measured the Pricing, and X26-

X29 indicated the store's customer service and selling. The total calculated scores from 29 items were used as the observed variables to analyze in factor analysis and structural equation modeling.

<u>Part III: Respondents' demography</u>

The researcher put this part of the questionnaire at the end because respondents do not have to think much when answering questions on their own identities. The required information concerned one of the main research questions: whether Japanese customers consider the characteristics of community retailers to differ from those of general retailers (which nowadays take various modern trade forms). Since the economic stagnation in the late 1990s, Japanese consumers have been faced with various changes in the retail industry. Convenient stores and small supermarkets have emerged around their neighbourhood in order to serve their daily shopping behaviours. This phenomenon has increased the tension in retail business. Hence, this research asked about eight demographics, which were taken to be the main visible physical characteristics of consumers of community retailers.

Procedures and measures: Respondents were asked to complete eight demographic questions, which were both dichotomous and open ended. The eight questions concerned age, gender, occupation, residence area (address), marital status, parental status (having children in the family), car possession (owning a car or other vehicle), and shopping role (being the main shopper of the family). As these questions yield nominal data, they were coded as numeric data before being entered in the computerized data base for descriptive statistics. Additionally, these demographic data were used to find any relationships to the questions in part I and part II. The Chi-square test on demographic data can help researchers to ponder two major findings on the market segmentation and demographic correlation (Kwankaew, 2009). First, it can help to investigate whether certain types of customer are more likely to give certain answers. Second, and following on from the first point, it can also indicate whether demographic character and responses are statistically related at a significant level. The outcomes of the Chi-square test on the significance level can explain whether or not one of external factors such as demographic characteristic can relate with the perception towards retailer.

3.4.2 Semi-structured question guidelines for interviews

The guidelines for the dialogues with the three types of contributor were created after reviewing the related literature. The interview objectives for each party were dissimilar. The three sets of interview guidelines prepared for use in the qualitative approach needed to be translated to Japanese. The process for constructing the interview guidelines was the same as that for developing the questionnaires. First, they were generated in English by the author based on the related literature reviews. Then they were translated to Japanese by the author, who possesses adequate Japanese-language proficiency. Next, all of the interview guidelines were reviewed and corrected for a more comprehensible back-translation by the same above bilingual English–Japanese expert. During the interviews, it was important to make the atmosphere as dialogue-like as possible in order to invoke active participation and encourage responses. Proper dialogues comprise attentive listening, making signs of following and understanding (such as nodding and verbal responses), and surprising expressions over some content or information (Alvesson and Kärreman, 2011).

Three parties were interviewed. First were suppliers: cooperative members as well as farmers or gardeners who supplied their agricultural or handcrafted products to Konohana Garten. Next were managers of Konohana Garten (top management people). The two key authoritative people were the chairman of Oyama agricultural cooperative (the pioneer of the local retailing enterprise) and the department manager (who implemented operational and marketing policies). They were the representatives of the management team of the target retailer. Last were shop staff, especially those who interacted with customers on a day-to-day basis. The dialogue with farmers or gardeners (who supplied vegetables, rice, or fruits to the shop) was conducted with the purpose of finding out whether they were satisfied with the enterprise's operation. The farmers or gardeners were not only suppliers but also cooperative members, who were affected both positively and negatively by the shop's performance. The interview with managers was conducted to explore the management's philosophy and source of its marketing policy in terms of strengthening the customer relationship and responding to the market competition underlying the economic situation. The discussion of business philosophy and concepts was focused on the context of Japanese culture and consumer behaviour. Meanwhile, the interviews with the front-line staff in the agricultural bazaar were more personal and specific to their opinions. Regarding their main responsibilities (such as being cashiers, preparing merchandise, helping customers in various matters, and so on), their attitudes to their jobs were compared with other kinds of evidence concerning the practical implementation of the cooperative's policy for interfacing with customers. The researcher observed the policy of the management concerning day-to-day practices as well as the attitude, or motivation to work, of the staff towards the cooperative retailer.

In order to accommodate the interviewees' various degrees of availability, various lengths of interview session were requested prior to the interviews. Interviews of 40–60 minutes were possible for management people and cooperative suppliers. However, conversations with shop staff were arranged for only 10–15 minutes. All of the interviews were recorded via audio and video for interpretation and reference. The guidelines for the questions in each interview were altered according to the objectives and lengths of time available. For the interviews with managers, the designed guidelines comprised five main perspectives towards external and internal management issues, local rural development, government support, cooperative management, retailing management (especially marketing activities), and personal remarks. The guidelines for the dialogue with the cooperative members also comprised major aspects, such as history, farming operation, cost of and benefits received from the cooperative, experiences of the cooperative, and attitudes. The interview guidelines for the shop staff were based on the human-resource perspective, focusing on job satisfaction, attitude towards the cooperative, and attitude towards customers. All of the questions in three sets of interview guidelines are listed below.

The interview guidelines for farmers and gardeners as suppliers

1. Could you please tell us about the farm of your family?
2. Did you start growing your plant right from the beginning?
3. How did it start?
4. When did you harvest for the first time?
5. Was there any problem at that time?
6. Have you been able to solve the problem? How did you solve it?
7. Have you obtained any support from outsiders? For example, local government officers or public government officers?
8. How do you harvest your agricultural products? Do you do it seasonally?
9. Is it possible to prepare the workers? How much do fertilizer and land cost?
10. Have you sufficient income after the harvest?
11. As a member of the cooperative, do you have any suggestion or comments to improve the performance of the cooperative and Konohana Garten so far?
12. Do you have any meetings for the cooperative members?

13. How can you communicate among share-members of the cooperative?
14. Have you received the dividends of shareholders or members from this cooperative every year?
15. Is the dividend increasing more than before? By what percentage is the dividend increasing?
16. Is it possible to communicate with Konohana Garten?
17. How different is it to sell your products through Konohana Garten compared to how you sold them before? (How did you distribute your harvest before?)
18. Is Konohana Garten useful for the family's income?
19. Finally, do you have any opinions about the performance of Konohana Garten? Have you ever conveyed an evaluation or any problems to Konohana Garten?

The interview guidelines for the management team of Konohana Garten

1) Rural development: from empty land to agricultural town

1. Konohana Garten background: Before setting up Konohana Garten, what did you think about it?
2. How many people were there in Oyama at that time?
3. How did Oyama people live at that time? What kind of work did they do for a living?
4. How was Konohana Garten founded?
5. Did you use the name of Konohana Garten from the start?
6. Why did you call it this?
7. Have you had any problem in operating Konohana Garten?
8. If yes, how did you solve those problems?
9. How many cooperative members were there when it started up?
10. What were the cooperative members' jobs or works?
11. Was there any change in the life of Oyama town after Konohana Garten opened?

2) Government support, for example from local government or the Ministry of Agriculture, Forestry and Fisheries

   1. Did you receive any support from public institutions or national government departments?
   2. If yes, what kind of help did you receive?
   3. If yes, what was the result of the support?
   4. Was the support helpful?
   5. Presently, do you need any kind of assistance from the public institutions of Oita prefecture or national government departments?
   6. In your opinion, compared to the past, what are the developments in Oyama presently?

3) Cooperative management

   1. Do you have any meetings of the cooperative members?
   2. Do you communicate with cooperative members?
   3. How do you provide information to cooperative members?
   4. How does Konohana Garten communicate with cooperative members?
   5. About the dividends: do you distribute dividends to the cooperative members every year?
   6. What is the average dividend percentage you give to the members?
   7. Has the amount of the dividends increased?

4) Retailing management: Konohana Garten's operational management

   1. How did you consider and choose the shop location?
   2. How did you come to know of Tokiwa department store?
   3. Why can Konohana Garten sell at Tokiwa department store?
   4. What do you think about the result of selling there?
   5. What are your considerations on making the design and layout of each shop?

6. What is the size of each shop space in term of square meter of utilisable space?
7. How many products does Konohana Garten carry?
8. What is the SKU (stock-keeping unit: a unit of product storage) in each shop? For instance, convenience stores have 10,000–20,000 SKU.
9. What is the product strategy of Konohana Garten?
10. What is the price strategy of Konohana Garten?
11. How competitive is each shop?
12. Do you have any problems in operating the shop?
13. What are the advertising and promotional activities of Konohana Garten?
14. Do you think the shop's website is useful for communicating with customers?
15. How do you recruit shop staff?
16. Do you have a staff recruitment plan?
17. Do you provide any training to staff about selling and good service?

5) Personal remarks: just in case, if any

1. How would you appraise Konohana Garten so far?
2. Do you have any suggestions or anything you want to say about the future for Konohana Garten?
3. Do you have any advice for sustaining the success of Konohana Garten?

The interview guidelines for the front-line shop staff

1) General questions

1. Would you please tell me your name?
2. What is your work role?
3. Where is your home address?
4. How did you come to work for the shop?

5. When did you start working with Konohana Garten?

6. How many days do you work each week? How many hours per day?

2) Job search and becoming a member of the shop's team

1. How did you come to know Konohana Garten?

2. How did you apply for your job at Konohana Garten?

3. What did you think about Konohana Garten at that time (regarding the management philosophy)?

4. Did you receive any training for your job after joining Konohana Garten?

3) Job satisfaction

1. How would you evaluate your job satisfaction in the current job on a scale of one to ten when 10 equalled to highest score?

2. What makes you give that score?

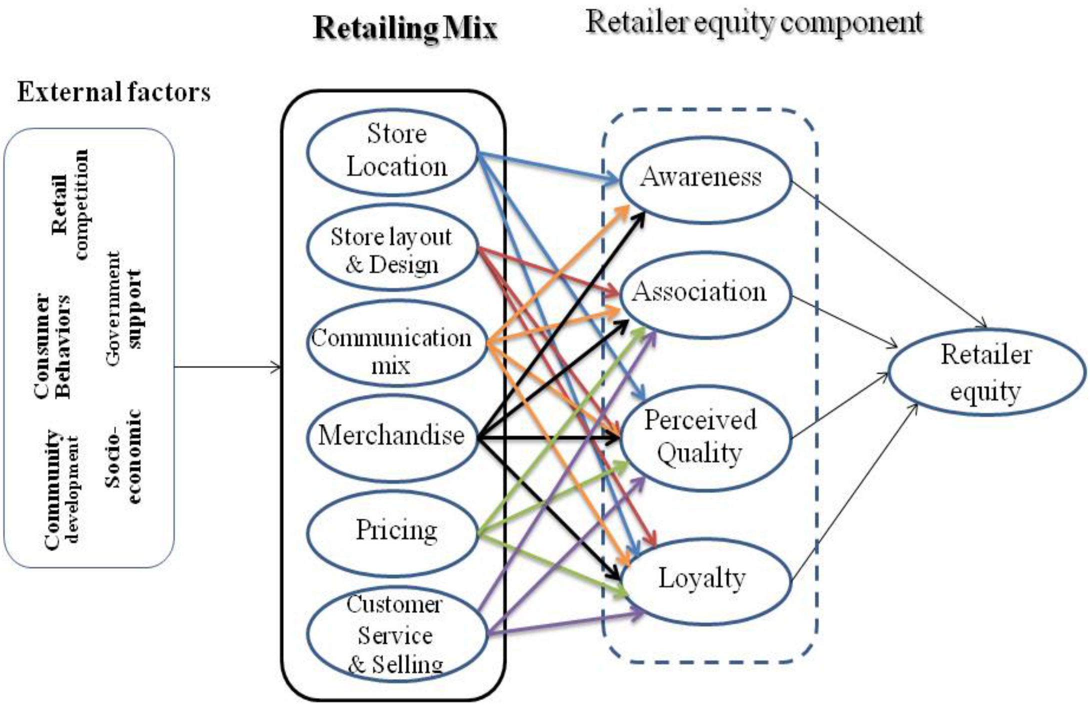
3. What do you need to be improved in working at Konohana Garten?

4. Is there anything that Konohana Garten need to improve?

3.5 Data analysis

After the stage of accumulating data was complete, the analysis of each part of data was organized under different procedures. Due to the dissimilar types of scale and content, the analysis of data from the two instruments was separated into three main divisions illustrated in Figure 3.1 below.

Figure 3.1: Process flow of data analysis



The variables in each part of the questionnaire were nominal, ordinal, and ratio by using the calculated scores. The variables extracted from part I and part III of the questionnaire are nominal scale. All of the dichotomous and multiple-choice responses were coded in numbers for mathematical processing. Hence, shop locations and customer's demographic variables (age, gender, residence area, occupation, marital status, parental status, car possession, and shopping role) are also nominal-scale data. The score of each 29 items came from calculating the data of importance and satisfaction rating parts (ordinal scale) to produce the new set of data in ratio scale for constructing in the causal modelling. Hackett and Foxall (1994) conducted their research in the UK based on using the two sets of ordinal scale, and multiplied them to get the new data set of ratio scale to run their model. The study used their approach in generating the scores for retailing mix indicators because, as a consumer-based approach, it can not only affirm the attitudes in general compared to the specific case but also strengthen the data as total score in each variable.

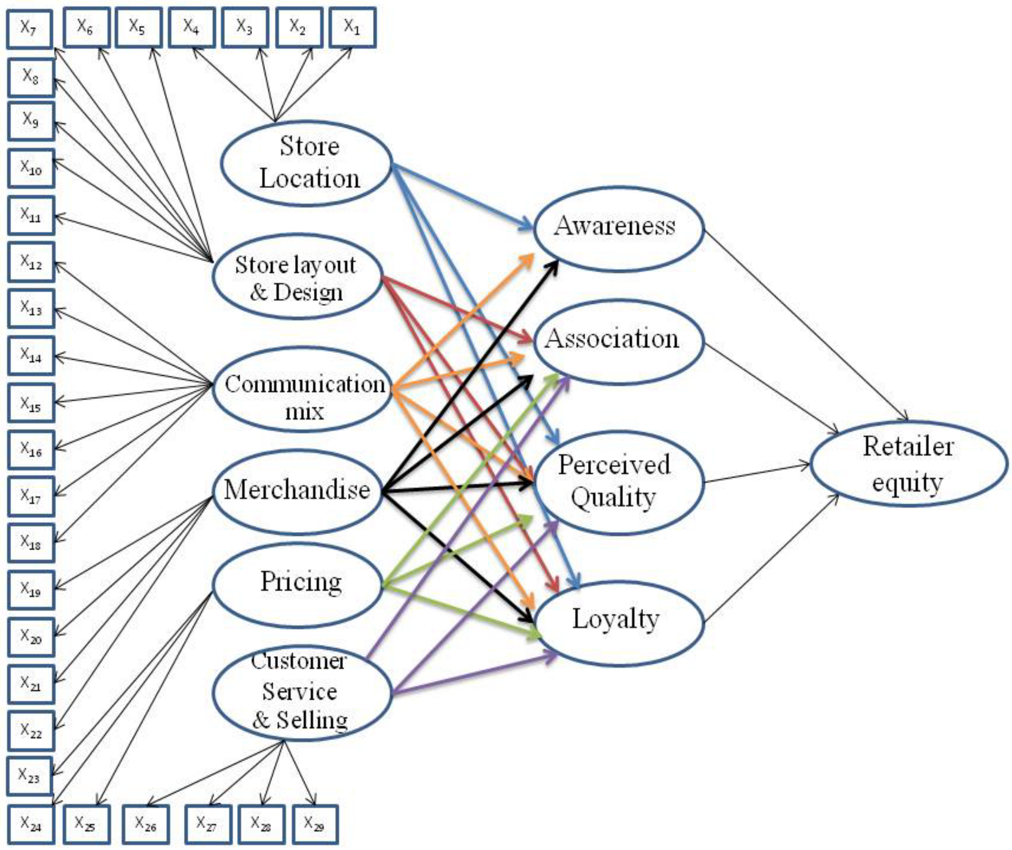
3.5.1 Analysis of the data from part I and part III of the questionnaire

Various mathematical calculations were used according to the hypothesis and data typologies. When using SPSS, the descriptive analyses used were frequency, percentile, and mode to find the measure of central tendency, which can reveal the distributed values of each variable as well as the lowest and highest values. Bivariate analysis was the next step after measuring frequencies. Bivariate descriptive statistics can provide a table showing any combination of frequency distributions of specified variables. The technique in comparing two variables in bivariate analysis is called a 'contingency table' or 'cross-tabulation' (Argyrous, 2011). This technique can show not only each variable's frequency and percentile within the total sample but also the relationship between by the pair variables. Chi-square testing can be used to investigate whether there is a relationship between any assigned two variables (Vanichbancha, 2012). The two variables are dependent when the calculated asymptotic significance (two-sided) for the Pearson Chi-square value is less than 0.05. In other words, any existing relationship between those two variables appears when the Pearson Chi-square value is below a level of significance of 0.05. In contrast, there is no relationship between the two variables when the Pearson Chi-square value has a level of significance of more than 0.05 (Kwankaew, 2009).

3.5.2 Analysis of the data from part II of the questionnaire

The mathematical processing for this part of the questionnaire can be separated into four stages of analysis: descriptive statistics, EFA (Exploratory Factor Analysis), CFA (Confirmatory Factor Analysis), and SEM (Structural Equation Model). The programmes SPSS version 18 and AMOS version 21 were used (SPSS for the two first stages and AMOS in the later two stages for causal modelling). Figure 3.2 shows the overall factor analysis and structural model in the path analysis.

Figure 3.2: Quantitative analysis diagram



Source: Author

The first stage involved testing the relationship between the demographic variables and each item of the questionnaire (29 questions each for importance and satisfaction). The purpose was to find out whether there were any relationships between pair variables in the rating scales questions. The second stage was EFA. Factor analysis is well accepted among scholars in studying multivariate data analysis. However, factor analysis cannot be estimated or assumed when the group of underlying variables is small (below 100) (Manly, 2005). The computed data from this analysis came from calculating the weighting of customers' Likert scales ratings in each item. This stage of the factor analysis comprised the four main steps in processing. The first step was to find whether any correlation existed across all 29 items using the Kaiser-Meyer-Olkin (KMO) test (Kaiser, 1960) and Bartlett's test (Bartlett, 1937). The KMO test is used to measure the adequacy of sampling variables. The closer the KMO value is to 1, the higher the indication that those items are correlated and can be used for further analysis. Bartlett's test, a test for sphericity, is the second indicator for checking whether the approximate Chi-square value has a significance level below 0.05. If the significance level of the Chi-square was less than 0.05, the set of 29 items in this study would be accepted for the next step: EFA.

Step two was to extract variables by using principal component analysis (PCA) with rotation method of varimax with Kaiser normalization by examining the rotated component matrix loading pattern. In the third step, the researcher investigated and cut off the low value loading of variables expressing low correlation among indicators per factor. Then, the final step was to construct groups of factors that correlated with the underlying latent variables (Gaskin, 2010). The benefits of using EFA for the primary stage of causal modelling are cutting variables with low communalities and suggesting the construct or pattern of correlated variables to use in further statistical analysis (Vanichbancha, 2012). The items with low communality values based on the results of EFA were cut off. The remaining 18 items were used for the third stage of the analysis. Stage three, CFA, is a multivariate technique for confirming the preidentified relationship between observed variables and latent variables (Hair et al., 2010). 'A CFA does not include specification of causal model that relates the factors to each other. The major difference between CFA and a garden-variety EFA is that in CFA the researcher specifies that particular factors affect, or load on, particular measured variables, whereas in EFA all factors affect all measures' (Klem, 2004: 247). The observed variables were the 29 items, reduced to 18 during an earlier stage; these were divided into six groups of retailing-mix factors. They were hypothesized to form the multidimentional latent variables of retailer equity via the retailing mix. ‘Confirmatory factor analysis was used to detect the undimentionality of each construct’ (Yoo et al., 2000: 202). The undimentionality can reveal whether each factor construct underlies the set of identified antecedents (Anderson and Gerbing, 1988). This stage of data analysis was computed using AMOS. The maximum-likelihood estimation method was used; it is the most well known and accepted method as it performs effectively under various conditions (Hoyle and Panter, 1995). The details of cutting out items, the test for reliability, and the test for convergent validity for the confirmatory factor model with statistical model fit index are described in Chapter 4.

The final stage was the SEM calculation. The structural model of retailer equity employed the second-order factors technique in the formative structuring of the retailer equity model. The computation employed the maximum-likelihood method with standardized estimation to explore many indicators of model fit, especially the ability to estimate by using the results of R^2 – standard multiple correlation, for interpretation of the experiment. Lastly, in order to ensure the observations were sufficient and to prevent over-fitting the sample model (Hair et al., 2010), a bootstrap test of standard parameter error based on 40,000 re-samples was produced to estimate whether the significant model could be representative of the population as a whole.

3.5.3 Analysis of the data from the interview sessions

In the qualitative data analysis, the case study and ethnomethodology (Holiday, 2007) were the two key themes. Ethnomethodology involves an emphasis on how each member actually performs and interacts constructively with society (Holstein and Gubrium, 2005). Conclusive narration analysis (Bernard and Ryan, 2010) was used to illustrate the influence of the suppliers, managers, and front-line employees on the operation of the retailer. The results of qualitative analysis can apply to many cases sharing the same conditions, such as socio-economy and community movements. It can represent a sample containing factors relevant to other cases. The outcome of this analysis was deemed to highlight the key underlying factors behind the marketing policy and management concept in the operation of this community retailer.

Chapter 4

Findings and Discussion

The results from data gathering in both qualitative and quantitative methods are divided into four parts according to the data types and analysis methods. This chapter displays four parts of findings from qualitative and quantitative data, and following by discussion in the last part. Basically, the sequence explanation and discussion derives from the conceptual framework flow in cause-and-effect manner. The first part of findings derived from qualitative data based on the five external factors. The results of semi-structured interviews with three parties; suppliers, management, and staff, showed the influences on the concept of Konohana Garten operation. The second part of findings shows quantitative data from consumer-based survey revealed the analysis of the customer demography and perception towards Konohana Garden. This part covers the descriptive-statistic analysis of primary perception involving with consumers' consideration and their behaviors, market segmentation, target market, and understanding possible market expansion. Every business needs to understand the customers to produce the proper marketing strategy. Hence, the third part manifests the consequence of market comprehension and retailing mix generation of the focal retailer. Some notions from the interview with Konohana Garten management regarding to retailing mix are also included in this part of results. The retailing mix shows not only the retailer's marketing investment of human and financial resources, but also the long-term retailer equity. Moreover, this part also includes findings of exploratory factor analysis, confirmatory factor analysis. Lastly, the fourth part reveals a higher-order structural equation modeling based on retailing mix elements. The discussion part provides major results that should be considered for retailing and marketing management.

4.1 Findings from semi-structured interviews

This section investigates the primary external factors or forces influencing Konohana Garten. Since a retailer's management inevitably needs to understand the possible impacts of the business environment, the study aims to determine how retailers conceive of and respond to those forces. Furthermore, the results of interviews reveal comments from the various points of view of the retail management of Konohana Garten, as influenced by their roles.

4.1.1 Findings on rural development or community development

Oita is often considered to be a rural area in Japan. Most places in Hita municipality, including Oyama town, have many difficulties in growing rice and cash crops, such as soya beans, potatoes, or wheat, because of the hillside geography and poor soil quality. The Japanese government has attempted to distribute the budget for rural development in such a way as to support farmers in growing rice and commodities; this has been a key policy. According to the interviews with farmers, during the early years of farming development, they mostly had to struggle on their own while searching for any kind of assistance they could get from the local government, based on the community development policy. With small-scale farming, farmers have to manage their production in various ways to obtain the highest yields out of their investment. The below interviews reveal examples of how they operated using their own knowledge and ability to adapt.

> *Our pear farm is run by me and my husband. My father started growing pears 30 years ago, as the first generation of my farm. I'm the second generation, so up until now our family has been growing pears for around 57 years since my father started. At the beginning the soil in our land wasn't good to grow the pears, then Hita municipal government told us about the best place with red clay, where we moved to grow pears with better quality. In the beginning we were faced with many tough situations. Although the first generation taught me how to*

grow the pears, the knowledge was already old and outdated. So, we searched for support and went out to learn more from other growers. It took us three years to grow and harvest the first lot of pears. During the busiest period, in May and June, we need to get help from four more part-time workers. The farm work is more than only people [rather than machines] can handle. (Japanese pear grower)

The farmers were not just self-reliant in learning and adapting their inherited knowledge to updated practices, as in the above example of a pear farm; they also required mutual working co-operation among members, as the below example concerning a group of farmers and a miso paste producer demonstrates. The main ingredients of miso paste are rice and grain, which is labelled by a local authorized institute as 'organic food', meaning no chemical used in the production of rice and grain.

There was a mutual agreement among our farmer members in the area regarding our project, which was the attempt to revitalize our poor village. In order to divide up the tasks, this organization consisted of three sections: farming department, processing department, and rice centre. People in the farming department produced rice and other grains. We used 35 hectares for our processing and the rest was separated out to grow rice (15 hectares of land), 27 hectares for growing wheat, and 13 hectares for growing soybeans. The farming department was started in 1998, the processing department was started in 1999, and the rice centre was opened in 2001. We can dry and prepare rice, wheat, and soybeans here. We raise three kinds of wheat: rye, barley, and wheat, and they are turned into flour, boiled barley and rice, and clear liquor [shochu]. We produce not only miso but also glutinous rice and some snacks with it. We have an event of making mochi too. Everything is based on the rule that we use only crops that were harvested here. All kinds of products (mochi, wheat, soybeans, miso, soybean flour) are made with crops that were made here. We make three kinds of miso: rice miso, barley miso, and combined miso. We started taking advantage of a village [Oimatsu] near here that also makes good miso with clear water. We have clear water in Hita and we *use it by sinking a well 250 meters underground. We thought that we can use the idea of Oimatsu market with our production. (Miso producers who are also rice and grain farmers)*

Many farmers and fruit orchardists could not solely depend on their low quantity of seasonal harvest; hence, they searched for means to improve their incomes by creating processed food ingredients. The rice farmers mentioned this issue:

We started to produce miso to add value to our crops. To gain market competitiveness, we made all products homemade and additive-free. The consumers would therefore see them as safe and trustable products. We went to Kagoshima and some other places to study the production and quality inspection process. We invited agricultural instructors of Oita prefecture and obtained some advice from them for improving our production. The most difficult production was that of koji *[malted rice]. It was very hard to make a yeast fungus; we took half a year on this process. Then, the malted rice needs three consecutive days to complete. We make it by taking turns, with five people for the first and second days, and on the last day we all manage it together. After that, we also put them into the packaging together. Presently, we can make it a lot easier than in the past, thanks to a lot of experiences of trial and error, which were very difficult at the time. (Miso producers who are also rice and grain farmers)*

These are examples of farmers who struggled to respond to the development of the rural community. With many challenges from natural resources, limited arable lands, and a small workforce, farmers have to seek the best way to maximize their incomes taking into account the conditions of their community and combining their initiative, techniques, and values.

4.1.2 Findings on government support

Over 20 years ago, around the time rural development in Oyama town began, support from the government was rare. After the first stage of Konohana Garten was established by the local agricultural cooperative during the 1990s, the government of Oita prefecture considered it a good model to help more people in other rural areas. This community agri-food retailer scheme was adapted to form the OVOP movement: ‘because the Oita prefecture was a poor place, it needed to be developed’ (interview with the chairman of the Oyama Agricultural Cooperative Association). Later, after Governor Hiramatsu successfully introduced OVOP in many places in Oita prefecture, the Japanese central government learned of the scheme and applied the original concept of Konohana Garten in the form of *michi no eki* – the roadside station project.

> *Up to now, we have never obtained any support from the local government or central institution. We actually don’t need it because we are creating a system that works well for us and we can manage it. Nor will we probably need any help from public institutions. (Chairman, Oyama Agricultural Cooperative Association)*

This research found that government support, for example, from Hita municipality or Oita prefecture agricultural department tended to focus directly on the agricultural production of farmers or fruit growers rather than on the distribution system. The farmers primarily received support and advice concerning the development of land. The pear orchardist said the following about her experience of government support:

> *There was no other support from the local government, except only that Hita municipal government lent us the land in the valley. Thanks to that, we didn’t have so much debt on the land. We repaid that debt 15 years ago. At first, my husband was just a company employee with debts; we needed to get away from the difficult situation in the start-up period by going out to ask for knowledge in growing pears because we needed to know more techniques and*

useful information to grow pears. We gathered a group of pear growers to visit pear orchards in various places to learn how to grow pears. Then, every orchardist applied or adapted his or her own ways to grow pears to improve quality and maintain good productivity. (Japanese pear grower)

As mentioned above, the other sample farmers grow crops such as rye, barley, and wheat as base ingredients in many food products, such as miso and shochu (a Japanese spirit), rice snacks, rice cakes, or mochi (rice-flour dough). They grow crops and harvest the grains to turn them into flour. Those flours are boiled and fermented or baked depending on the final product type. The most well-known product is miso paste for cooking. This group comprises senior ladies, mostly housewives. They said the following about how they received government support in the beginning:

At first, we got a subsidy which was two thirds of our budget from Hita municipality of Oita prefecture. We would be supported based on a meso mountainous region undertaking, so we decided to start separate production systems to make miso, wheat, rice, and so on. We talked about this plan to a lot of the women in the village, but only five people joined because no one wanted to take risks or cause difficulties to do something for which they needed to pay their own expenses. (Miso producers who are also rice and grain farmers)

In contrast, the government did not interfere with the agricultural distribution system for the rural farmers. Harvested products are usually distributed through traders and middlemen before reaching consumers. Farmers often obtain only a small portion of the selling price to the customers. ‘Our farmers gain only 20 per cent out of the 100 yen products; 80 per cent of the product cost falls to traders along the supply chain’ (Department Manager, Oyama Agricultural Cooperative Association). This situation was one of the main reasons behind setting up Konohana Garten without the help of the government institutes.

4.1.3 Findings on socioeconomics

As mentioned in the discussion regarding the support for farmers' production, farmers believed that larger-scale production could deliver higher revenues and thus a better quality of life, which ultimately becomes the source of public infrastructure of a community. However, the distribution cost was also problematic and inefficient because most farmers sold their products via wholesalers or traders. In order to gain maximum profits, these middlemen tried to control the buying prices, making them as low as possible. In general, agricultural cooperatives help farmers in reducing production costs, by such methods as funding at the beginning of cropping, and buying cheaper fertilizers. In this case, Oyama Agricultural Cooperative Association extended its support to provide a distribution channel for farmers and orchardists. The evidences concerning how farmers think about this retailing operation is as follows:

> *Recently, we have joined two associations, the first one in Hita and the latter Konohana Garten. The one in Hita is too big to pick everyone's voice up. On the other hand, Oyama's one is very kind because as a leader and operator for all matters, they try to hear everyone's voice, which is better for us. Personally, I'm satisfied with being a member of Oyama Agricultural Cooperative Association. The dividend… it's hard to answer. Currently the [Hita] agricultural association is facing a serious situation, but the one in Oyama can increase its profits and give dividends of around 3 per cent annually. We appreciate their methods and good management strategies; for example, they give us the opportunity to receive customers' opinions directly. We are really happy to hear from customers (their joys) with letters and phone calls, which was impossible before. (Miso producers, Hita)*

> *We started selling through Konohana Garten ten years ago. Until then, we only delivered the pears to be sold by traders and participated in the Japanese pear meetings because we also*

established our own Japanese pear association. We used to sell our pears to traders before but the price was not as good as the ones we get presently. (Japanese pear grower, Hita)

Although the workforce in the local community was mostly made up of the second generations in family farms, they were proud to work in the tradition of their ancestors in supporting their families' expenses. Community development and support from agricultural cooperatives can bring higher earnings as well as a better quality of life. People can feel more secure about their revenues and have more disposable income; furthermore, their increased consumption leads to a higher contribution to the community's public infrastructure. The miso producers said the following about their attitudes towards higher income:

In the beginning, our sales were 8 million yen, but now our sales have hit 18 million yen per year. The number of customers was getting bigger and bigger by word of mouth and promotion. We went to many events and had face-to-face talks with customers to explain the good values of our products ourselves. The number of customers increased, and so did our profits. Life became stable. Although the revenue might not be certain, it's acceptable. If we were to wish for more, we would want to have a bonus. Normally, farmers don't have this kind of system because it depends on the amount of profit they get, which we are not sure about. However, we still could buy machinery and cars to improve our productivity and facilitate our lives in terms of transportation. We could also start using a social security system in our organization for our members. Even better, we could receive social insurance and higher salaries by increasing the amount of time we work, because we also apply the hourly wage-payment system for extra working time. (Miso producer, Hita)

The development of the management of the farms creates a hospitable working atmosphere in which people can engage in social activities and earn incomes while their children go to school or work in other towns or cities. People can get together in the farms or orchards and exchange information and opinions on various things, such as family matters, community events, entertainment, travelling, and so on. The researcher had the chance to work on a farm to collect additional data on farmers' attitudes towards their work. Some comments made by orchardists and miso producers were:

> *My sister and brother, who live in Kurume, usually come to help us to do the orchard's work during each stage, such as cutting, wrapping the pears in sacks, then harvesting them at the end of the season. We have many things to catch up with and talk about when we work together. Of course, they come over when they are available, but we are happy to see each other and work in our family's orchard. (Japanese pear grower, Hita)*

> *Miso is usually fermented for more than a year; it turns black because the malted rice starts to saturate. But it takes half a year for us to make miso, and we can make it in any season. Our way of working is different from working in companies. We can use all the money for ourselves from our own work. Now we can work easily and freely. Working here is really fun and this is the way to get rid of stress! (Miso producer, Hita)*

Farming is not just the occupation of local people but also the culture of the local community that the local people want to preserve and transfer to their descendants. Since Japanese farmers are ageing and their number is decreasing, they hope the next generation, mostly from among their family members, will inherit the family business and the pride in the local agricultural products.

> *My husband and I are still healthy and strong enough to work in the orchard; however, we hope that there will be one of our children who wants to take care of the pear orchard after us. Although they are now working full time in other cities, sometimes they came back to help*

work in our orchard. There is still time for them to consider taking on the family business later. (Japanese pear grower, Hita)

Although we know making miso is tough work, it is a property that can earn money. So, for us, miso is considered as a kind of property that we now need to find a successor for. We are roughly 60 years and over already, but we are still young! There are so many things that we want to try more, so for now, we think that we want a successor only for making miso. (Miso producers, Hita)

Hence, the need to improve the local community's socioeconomics drives people to find better ways to achieve their goals. Oyama Agricultural Cooperative Association is a good example of a community institute, that continuously engages with people in vigorously self-reliant development to help farmers and other agriculturalists to gain higher incomes.

Agricultural cooperatives must lead and help farmers. Even in a small village, cooperative staff must lead farmers with the theme of helping them to increase their incomes. Farmers should be able to sell their products by themselves. (Department Manager, Oyama Agricultural Cooperative Association)

4.1.4 Findings on retail competition

Due to the high competition in the Japanese food retailing business, this research found the influence of market competition on the management of the agricultural cooperative's retailing, from their ways of thinking about forming the management theme to the competitive strategic actions used at Konohana Garten. A strong management and business philosophy is the key factor in driving the development of both agricultural cooperatives and Konohana Garten. Since the Japanese economic situation has changed from a bubble to a recession, the agricultural sector has had to adjust its production in response.

There was no direction in the farm system at the time when Japan was experiencing a bubble economy. Therefore, its principle was only 'mass production, mass consumption'. However, the principle was changed after the collapse of the bubble economy; the demand for lower product prices was caused by more imports, resulting from trade liberalization. For its sense of safety, freshness became much more important than mass production. Before, Oyama Agricultural Cooperative Association had been involved in the agricultural production of local producers [farmers], and had sold their produce to markets; at that time the general system of distribution still worked well. However, the situation was getting worse since more and more farmers were going out of business or quitting farming due to insufficient profits. Furthermore, Oyama town does not have enough arable land to produce crops in massive quantities. We grow a small quantity of many items to sell with high added value. (Department Manager, Oyama Agricultural Cooperative Association)

In order to increase the earnings per harvest for the local farmers, Oyama Agricultural Cooperative Association built its retailer to sell its farmers' products in small quantities but wide varieties. Due to the challenge of the local hillside landscapes, farmers and gardeners had to get maximum benefit from their limited arable spaces to gain the highest possible profits.

Konohana Garten was established by 50 producers over 20 years ago. At first, the store was not as big as what we have now; we had only a small vegetable shop in the corner of a restaurant. It gradually became bigger than the small vegetable shop. We sold fresh vegetables harvested early in the morning and sealed with their producer's [farmer's] label, which also shown the price decided by the farmer. This kind of business was quite new for city people. Moreover, the products are very delicious, which attracted more customers to come and buy from us, little by little. Meanwhile, the number of farmers who took part in our selling in Konohana Garten was increasing as well. However, selling fresh vegetables is not the only way to sell agri-food products; we also provided the processed forms of them.

Because we started selling seasonal vegetables harvested from farms in the mountains, people from the city didn't know how to cook and eat them because they had never seen them before. As a result, we decided to provide the cooked or processed products to encourage people to buy and try to consume them. Our development methods are possible for us [Oyama Agricultural Cooperative Association] and not others because we have the skills and knowledge required for processing agri-food products and connecting with others. We grow products, process them, and sell them by ourselves. I think this is a key to our success in the business. (Department Manager, Oyama Agricultural Cooperative Association)

We created all packaging by ourselves. Konohana Garten is not involved with this process. We took some courses supported by Oita prefecture. They gave us chances to learn about packaging and packaging materials. It was a great help for us. Since we are more keen on rice farming, the processing method for miso is not our specialty. Furthermore, safety is considered a very important matter in Japan. Thus, if we could not make food safe, we would lose people's trust in our production, leading to a big problem. In particular, the prefecture's regulations on the hygiene management of food are very strict. They did not want us to have any problems because these could create problems for Oita prefecture as a whole too. So, they trained us about this and supported us a lot. After all the training and practice were done, they inspected our finished products very strictly. If they found something wrong, they would order us to suspend business. (Miso producers, Hita)

Cooperative members and consignors might not be perfectly satisfied with every aspect of the retailing operation; yet, the overall assessment by suppliers was quite good.

Konohana Garten is a pioneer of direct selling from farmers to consumers in Japan and it attracts everyone's attention. Others have just started following this concept. We are proud of the fact that Konohana Garten is the best Japanese agricultural cooperative retailer. Everyone is very warm hearted and kind in doing business with us. That is why we keep supplying our products to Konohana Garten. We are so glad to see that customers are happy *and satisfied with our products. It really motivates me. The profit comes from good services and products. We appreciate Konohana Garten giving us the chance to earn more money. We could not do it without them. So, we want all farmers to have the policy of maintaining excellent products and services. (Japanese pear grower, Hita)*

Its brokerage is high but, compared to elsewhere and the charged fees, it's adequate. Both of us[Konohana Garten and our group] have the same theme: 'local safe products for customers'. It is also good that we can sell our products at cheaper prices than the ones at most department stores. If we sell our products at department stores, it's going to be 1000 yen more expensive. When we went to Konohana Garten, we were impressed by its staff's operation, especially that they arrange products in order. This could be a model. We don't have any dissatisfaction with Konohana Garten. In contrast, in michi no eki, which is funded by a for-profit company, products are arranged randomly. (Miso producers, Hita)

Konohana Garten would be unable to be competitive in the market without a source of competitiveness in production and the potent team of the Oyama Agricultural Cooperative Association. This agricultural cooperative plays a crucial role in innovating and in executing the essence of a sustainable agricultural retailing business. The cooperative's management is involved with market opportunities and dynamic plans and activities. The initiative for the project stemmed from thoughts that differed from the central government's policy, which concentrated on cash crops such as rice and potatoes. The NPC (New Plum and Chestnut) scheme was launched to encourage local farmers to grow crops that could deliver higher profits than general cash crops. Each product was studied and improved to get the best out of it. However, it was not just those two major products that were studied; other agri-food products were planted and grown to create variety in the product assortment.

We divided co-partners [cooperative members], such as farmers, gardeners, and orchardists, into 10 sections; for example, an 'Ume' [Japanese apricot] section, a 'Kuri' [chestnut] *section, and a 'Sumomo' [Japanese plum] section. Each section has a meeting of its co-partners every month. We have an annual meeting of all cooperative partners and members around June every year. Moreover, our cooperative members can examine and follow the progress and policy of the agricultural cooperative regarding the NPC scheme – the major development of Oyama town's agriculture – via PR brochures containing business reports and announcements concerning our management policies. We deliver these to all member farmers to make sure they know what we will do and where we are going to. We always communicate with our 604 cooperative members and, concerning important issues, we also make announcements to our 3400 consignors. In the beginning, there were only 50 people, who were all farmers. They produced a wide range of agricultural products. By making numerous kinds of products, even if there are small mistakes or failures, the earnings can still cover any loss. The change that has occurred in Oyama town is that member farmers and consignors can gain more money and become wealthy. We give an average 3 per cent dividend to our members every year. I think 3 per cent is the best. There were originally 13,300 farmers, but now there are around 700 agriculturalists. This is because farming is declining and because some farmers combined with others. The boundary between rural and urban is reducing via this way of operation, from production to selling products. Our farmers have also started to communicate with people from the cities. (Chairman, Oyama Agricultural Cooperative Association)*

Apart from its stand-alone branches in Oyama, the headquarters, Oita, and Fukuoka, Konohana Garten also has three branches of the 'shop-in-a-shop' retail format in the corner of the food section of Tokiwa department store and its supermarket chain stores in Oita and Beppu. However, the sales results were not as good as the cooperative anticipated.

There is competition between four vegetable shops in Tokiwa. Therefore, the buyer for the Tokiwa agri-food section has to select the vegetables and fruits that Konohana Garten doesn't sell. (Department Manager, Oyama Agricultural Cooperative Association)

> *We started the small retail shop with them because the previous owner wanted to have one. To be honest, we have a satisfaction rate of about 70 out of 100. (Chairman, Oyama Agricultural Cooperative Association)*

Presently, Konohana Garten has almost 4000 cooperative farmers and consignors who supply products to sell at the cooperative's stores in various locations. The increasing number of competitors in the market has created more tense market competition. *Michi no eki* adapted Konohana Garten's original agri-food retailing concept, but the management policy of its retailing business is questionable in terms of suppliers and products management. However, Konohana Garten's management team is convinced that it and the agricultural cooperative have competitive advantages that can support them to grow further in the long term.

> *Konohana Garten is not the same as michi no eki. There are more than 10,000 michi no eki across Japan, under the supervision of the Ministry of Land, Infrastructure, Transport and Tourism of Japan. The products are different [michi no eki do not sell local products]. Konohana Garten gave the source of the retailing idea to them, and they followed us and our achievements. Moreover, we are different from michi no eki because of our events – for instance, rice harvest, potato harvest. We and our farmers harvest the crops with customers to make the customers become fans of Oyama town. (Department Manager, Oyama Agricultural Cooperative Association)*

> *I believe in our strong points. We can give many products that customers want. We can respond to their needs. Overall, we are not fully satisfied because we want to become better. I believe that having high motivation is the key to improving. I want to make smaller restaurants in the future. Besides selling products, running the restaurants will definitely help to attract more consumers for the agricultural products. Finally, the important point is the communication between [Oyama] town and other cities in trying to understand each other as well as work together to support each other. (Chairman, Oyama Agricultural Cooperative Association)*

Under the changing conditions in the market – such as the economic recession, customers' reduced disposable incomes, and altered lifestyles – Konohana Garten plans to continue its business expansion in related activities by using the strength of the agricultural cooperative and community unity.

> *Konohana Garten is opened everyday with 70 employees and 300 staff in various departments. We want to lead other shops. We want to make Konohana Garten the place where customers can buy many things whenever they come, and make our cafes and restaurants entertaining places where customers can have delicious bakery items, various drinks and enjoyable desserts, and safe agricultural food dishes while having a good time. We also aim to open one or two more shops somewhere. Ideally, in the future we want to have 17,000 direct-selling vegetable shops across Japan with 200–300 shops in each prefecture, and to develop more interactive communication with our customers through websites and social networks. We have five people involved in internet communication and hope that we can gradually improve this medium to connect with more customers in the future. (Department Manager, Oyama Agricultural Cooperative Association)*

> *So far there has been no trouble that could not be solved. However, this doesn't mean we are successful. To be successful, you need a long period of time. My worries are the risks that we might have to take for development. However, we should not fear mistakes. It is important to have high ambition and a big dream. With this it is also important to challenge even if you think it is a little difficult or hard to manage. Another important factor is to make sure you finish doing what you started. (Chairman, Oyama Agricultural Cooperative Association)*

4.1.5 Findings on consumer behaviour

According to a survey of consumers in Oita in 2008, the target respondents were women because the researchers believed that it is housewives or women who usually buy foodstuffs. The survey found that, regardless of age, most Oita women bought food products from convenience stores for 66 per cent and that, of those 66 per cent, 72.3 per cent of women who were employees or government officers preferred buying foodstuffs from convenience store over other retail formats (Chamber of Commerce and Labour Department, Oita prefecture, 2008). Moreover, the survey found that only 36.4 per cent of women in Oita would shop in other areas, such as different prefectures. This research also discovered that customers who lived in neighbouring areas, such as Nakatsu or Kurume, drove cars to visit their chosen stores, whereas other customers came from regions even further away, such as Nagoya, Hiroshima, or Tokyo. Customers of this type of agricultural retailer are not just local people but also sometimes people from other regions. When interviewed, Konohana Garten's manager said the following about customers:

> *There are so many people who come to Konohana Garten after visiting Oyama Agricultural Cooperative Association from around Japan and overseas. (Konohana Garten Department Manager)*

Hence, customers might have known the store from their travelling experiences and continued to buy at their closest locations. Despite the abundant supermarkets near their residences, they choose to buy food products at Konohana Garten instead. If all Japanese customers are homogeneous, an agri-food retailer like the one in this case study should not be able to survive over a long period of time. The reason should be found in the varied lifestyles of Japanese people. Stone (1954) suggested that there are four buying styles: economics, personalizing, ethnic, and apathetic. These shopping lifestyles can determine consumers' purchasing intentions (Shim et al., 2001, p. 301). As the mobility of Japanese people has increased, the possibility of travelling to preferred retailers has also grown. Many customers choose to drive 10–15 minutes from their hometowns to a nearby town where Konohana Garten is located, to obtain agricultural products that they trust in terms of price, quality, and safety. During the distribution of the survey, the researcher was able to make personal observations and to conduct some brief interviews with both respondents and accompanying family members. Some customers mentioned that they not only trusted the products of Konohana Garten but also the producers, farmers, and fruit grower, who produced and supplied the goods to the store. Many respondents mentioned that the farmers' packaging information – for example including face, name, and address – made them feel it was safe to buy the product for their household's consumption. Most of them came with family members – mothers, fathers, sisters, friends – who supported the main shoppers in buying agri-food and agriculturally related products from this store. Based on the researcher's personal observations at four stores in various locations, customers of Konohana Garten can be divided into regular customers who visit the store on a daily or weekly basis; travelling groups of family members of 3–10 people in one or two cars or vans on vacation; tourists, mostly in medium to large groups with more than 10 people from all over the country who visit for leisure or for study trips; and switchers, who occasionally visit the store for a particular purpose, such as buying seasonal products. Their behaviours in terms of walking around and surveying the products in the stores were different. The regular customers usually knew how to find the products they wanted, whereas travellers and tourists spent more time looking around and deciding what to purchase based on the store's recommendations or well-known products. When customers came in group of three to five people, the key shopper would enter the main shopping areas and the accompanying people would wait in front of the store or sit on nearby benches. Many of them used toilets, especially at the stores in Oyama and Nomaoike. It is obvious that rest areas with benches and restrooms are essential for customers of all ages.

Furthermore, many regular customers, especially at the Fukuoka branches in Nomaoike and Momochihama, would arrive soon after the store opened or around 10 am for the chance to buy new, fresh agricultural products from Hita. After the cartons of vegetables and fruits were unloaded, customers promptly walked down the aisles and filled up their baskets in a short time. This routine ended around noon or sometimes earlier than noon. The crowded scenes in Konohana Garten's stores are spectacular because the stores are mostly located near modern trade supermarkets, such as Marushoku (Sundaily), or even in the Tokiwa department store (shop-in-a-shop). Customers had multiple choices to purchase similar product lines from other retailers, but they particularly came to Konohana Garten to buy agri-food products.

In order to give a clearer explanation of Konohana Garten's consumers, the next section quantitatively illustrates, in detail, the cognitive and behavioural information gathered about them.

4.2 Findings regarding retailer perception and customers' behaviours

The survey results regarding the customers of Konohana Garten are divided into four parts: description of customers' characteristics; perceptions and behaviours; correlations between customers' demographics and their attitudes and behaviours in buying at Konohana Garten; and correlations between customers' demographics and Konohana Garten's marketing performances regarding the retailing mix.

4.2.1 Dominant demographic characteristics

Of the survey respondents, 89 per cent were female and 11 per cent male. The age group with the highest proportion was 51–60 years (25.5 per cent). The average respondent age was 50.52, but the most frequent respondent age was 60. Almost exactly the same number of responses was received from people aged 31–40 and 41–50 (67 and 65 respondents respectively). Most respondents (77.25 per cent) were married and most (75 per cent) had one or more children, whether young or grown up. Most (40.5 per cent) were housewives and 81 per cent were the main shopping decision maker in their households. Respondents tended to live in the city areas in Fukuoka (26.8 per cent) and Oita (25 per cent). Moreover, 81.5 per cent possessed a car or vehicle, whether or not they had used it to travel to the shop. In brief, the majority of respondents were female, the main family shopper, aged between 51 and 60, married, had child(ren), owned a car, and lived in cities. The demographic findings will be discussed in more detail below, using Table 4.1.

Table 4.1: Demographics of the respondents

Demographics	Sub-division	Freq	%	Demographics	Sub-division	Freq	%
Age	Less than 20	12	3	Marital Status	Single	92	23
	From 21 to 30	36	9		Married	308	77
	From 31 to 40	67	16.75	Car possession	Possessing of car	326	81.5
	From 41 to 50	65	16.25		No car possession	74	18.5
	From 51 to 60	102	25.5	Gender	Male	44	11
	From 61 to 70	86	21.5		Female	356	89
	From 71 to 80	27	6.75	Parental status	Yes	300	75
	More than 80	5	1.25		No	100	25
Residence area	Hita town	32	8	Shopping role	Main shopper	325	81
	Oyama town	1	0.3		Follower	75	18.75
	Akeno Minami town	5	1.3		Not answer	1	0.25
	Oita city	100	25				
	Momochihama, Fukuoka	19	4.8	Occupation	House wife	162	40.5
	Minami, Fukuoka	63	15.8		Retirement	50	12.5
	Fukuoka city	107	26.8		Employee	76	19
	Kurume town	1	0.3		Student	16	4
	Saga town	6	1.5		Business owner	22	5.5
	Yufuin town	18	4.5		Farmer	1	0.25
	Others; Tokyo, Osaka, Hiroshima, Nagasaki, etc.	48	12		Others; Gov' officer, Nurse, teacher, etc.	73	18.25

The extended results can be analysed in reference to the various store locations. Hence, the above summary of the most common type of respondent helps in analysing whether demographic characteristics affected customers' perceptions and behaviours in buying agri-food products at Konohana Garten.

4.2.2 Perceptions of the retailer

According to the results of the questionnaires from Table 4.2 in the next page, 92.5 per cent of the respondents confirmed that they knew Konohana Garten store. The longest any respondent had known of the store was six or more years. However, 54.75 per cent of respondents said that they knew other places with similar characteristics to this store. These other places were different branches of this store and other brands, such as *michi no eki* and Itosaisai. Both known aspects of the store Konohana Garten and actual recognized aspects based on the name of the store only were most often associated with 'farmers' fresh vegetables and fruit products', followed by 'Oyama town', 'local agricultural products', and 'healthy food buffet'. These dominant four aspects can be considered to be the prevailing viewpoints regarding the store. The remaining known aspects were ranked as follows: 'One Village One Product (OVOP) shops', 'natural food materials', 'healthy food materials', and 'cooperative retail store'.

The analysis showed that 37 per cent or 148 people of respondents had come to know the store by chance and 33.5 per cent had got to know the store because they had been to Oyama town. From these two statistics we can imply that around 70 per cent of the sample came to know the store by themselves, without an introduction from their referencing groups. Conversely, 22.75 per cent and 13.5 per cent respectively of respondents primarily knew the store via friends or family members. The highest frequency of visiting the store was 'other' as the open-ended option, at 41.5 per cent, and the second-highest frequency was once a month, at 22.25 per cent. In the 'other' option, respondents answered that it was only their first or second time of visiting or that they visited 'sometimes', 'whenever needed', 'once a year', and so on; all of these had lower frequencies than 'once a month' or 'once a week'.

Table 4.2: Frequency and percentile of part I of questionnaire

Item	Answers	Freq.	%	Item	Answers	Freq.	%
Q1:Awareness of Konohana Garten	Yes	370	92.5	Q2: The length of time in knowing the store	Less than 1 year	51	12.75
	No	30	7.5		1-3 years	85	21.25
Q3: Do you remember other places?	Yes	219	54.75		4-6 years	84	21
	No	166	41.5		More than 6 years	157	39.25
	Not select	15	3.75		Not selected	23	5.75
Q4: Known aspects of the store (be able to answer more than one aspect)	Oyama town	273	68.25	Q5: Recognized aspects of the store (be able to answer more than one aspect)	Oyama town	239	59.75
	Farmer's fresh vegetables and fruits	302	75.5		Farmer's fresh vegetables and fruits	243	60.75
	Organic vegetables and fruits	167	41.75		Organic vegetables and fruits	108	27
	Healthy food materials	91	22.75		Healthy food materials	50	12.5
	Healthy food buffet	215	53.75		Healthy food buffet	165	41.25
	Fresh flowers and trees	152	38		Fresh flowers and trees	113	28.25
	Local agricultural products	238	59.5		Local agricultural products	179	44.75
	Natural food materials	117	29.25		Natural food materials	78	19.5
	One Village One Product (OVOP)	127	31.75		One Village One Product (OVOP)	88	22
	Co-operative retail store	58	14.5		Co-operative retail store	53	13.25
	Others; please specify	5	1.25		Others; please specify	10	2.5
Q6: Means of getting to know this store	Found it by chance while shopping	148	37	Q9: Chosen reason of first choice	Well known	66	16.5
	Travelled to Oyama	134	33.5		Good location	185	46.25
	Tourism advertising campaign	27	6.75		Good quality of products	178	44.5
	My friend tells me	91	22.75		Reasonable price	70	17.5
	Roadside signage	52	13		Nice layout	11	2.75
	My family member tells me	54	13.5		Good staffs' service	25	6.25
	Others; please specify	40	10		Other; please specify	36	9
Q7: Frequency of visit	Once a week	66	16.5	Q10: The best aspect of this store (open-ended) as theme	Freshness (of food & products)	138	34.5
	2-3 times per week	55	13.75		Product (quality and variety)	50	12.5
	Bi-weekly	16	4		Taste (of food, vegetables, fruits)	21	5.25
	Once a month	89	22.25		Price	13	3.25
	Others; please specify	166	41.5		Health concern	63	15.75
Q8: Being the first choice of visiting to buy	Konohana Garten	322	80.5		Location	8	2
	Hibiki no Satou	8	2		Restaurant	37	9.25
	Michi no eki	72	18		Place design and layout	13	3.25
	Anonymous shops	12	3		Customer service	4	1
	Others (specify)	11	2.75		Others	14	3.5
Q11: Best aspect as the originality (are there any other places compatible to the noted aspect?)	Yes & able to tell the name	59	14.75	Q11: Best aspect as the originality (are there any other places	No	151	37.75
	Yes but unable to tell the name	73	18.25		Not specify	117	29.25

Konohana Garten was the first choice of retailer to visit for buying agri-food products for 80.5 per cent of respondents, whereas *michi no eki* was first choice for only 18 per cent. The highest-frequency reason for giving Konohana Garten as the first choice was its good location for 46.25 per cent. This was closely followed by its high quality of products for 44.5 per cent. The third- and fourth-ranked reasons of well known and reasonable price were only 1 per cent apart for 16.5 per cent and 17.5 per cent respectively. The open-ended option for this question gave the widest range of answers; however, they can be categorized into 10 themes. The highest-frequency answer was the freshness of the food and other products for 34.5 per cent, second was health concerns for 15.75 per cent, and third was product quality and variety for 12.5 per cent.

Another question related to the uniqueness or originality of the store. Respondents were asked to answer ‘yes’ or ‘no’ regarding whether the aspect they had stated to be Konohana Garten’s advantage could be found at other stores. If they replied ‘yes’, it meant that the above aspect could be found in other stores. A response of ‘no’ meant that the best aspect of the store could not be found in other places or stores. The answer ‘no’ had a frequency of 37.75 per cent. ‘Yes’ plus an ability to give the name of the other store with the same best aspect had a frequency of 14.75 per cent. The answer ‘yes’ without an ability to state the name of the other store had a frequency of 18.25 per cent. Hence, in total, 33 per cent of respondents answered ‘yes’ with or without being able to give the name of another store with the same best aspect. Though we cannot conclude whether respondents who did not give an answer of 29.25 per cent would have said ‘yes’ or ‘no’, the total who rejected the proposition that the best aspect of Konohana Garten was unique is still lower than the frequency who said the store’s best aspect was original.

4.2.3 Perceptions of the retailer's retailing mix

The outcomes for two rating parts – level of significance in 29 aspects for general retailers and level of satisfaction in the same 29 aspects for the focal retailer – were calculated into one score for each retailing mix's indicator. As shown in Table 4.3, the score of the retailing mix indicator was considered to be high in 11 variables, which were X1, X4, X10, X19, X20, X21, X23, X24, X26, X27, and X28. There was one only moderate score: X11 about toilet and rest area availability. The other 17 variables were computed and considered to have fairly low scores; these were X2, X3, X5, X6, X7, X8, X9, X12, X13, X14, X15, X16, X17, X18, X22, X25, and X29.

Table 4.3: Frequency and percentile of part II of questionnaire

Question	Lowest score		Fairly low score		Moderate score		High score		Highest score	
	0 – 5	%	6 - 10	%	12 - 15	%	16 - 20	%	25	%
X1 Good accessibility of public transportation	36	9%	93	23%	97	24%	121	30%	53	13%
X2 Location close to tourist attractions	64	16%	170	43%	87	22%	60	15%	19	5%
X3 Location within the city as the branch	61	15%	182	46%	86	22%	53	13%	18	5%
X4 The place of location is easy to find	5	1%	75	19%	105	26%	168	42%	47	12%
X5 Attractive appearance of shops	16	4%	143	36%	123	31%	96	24%	22	6%
X6 Interior and shelf design and arrangement	14	4%	144	36%	122	31%	104	26%	16	4%
X7 Light and sound levels indoors	19	5%	160	40%	120	30%	85	21%	16	4%
X8 Clean shopping and catering areas	43	11%	161	40%	106	27%	79	20%	11	3%
X9 Proper temperature within the places	9	2%	133	33%	124	31%	114	29%	20	5%
X10 Convenient parking lots	14	4%	63	16%	92	23%	162	41%	69	17%
X11 Toilet and resting areas availability	10	3%	89	22%	133	33%	119	30%	49	12%
X12 Regular advertising on products and service	23	6%	195	49%	111	28%	61	15%	10	3%
X13 Special advertising on shops bulletin	34	9%	223	56%	89	22%	51	13%	3	1%
X14 Mass media advertising such as TV, Radio,	62	16%	233	58%	70	18%	32	8%	3	1%
X15 Shops' signage and Banner in various places	64	16%	229	57%	65	16%	39	10%	3	1%
X16 Sponsorship of city events	41	10%	209	52%	90	23%	52	13%	8	2%
X17 Individual info. on advertising and	38	10%	236	59%	84	21%	37	9%	5	1%
X18 Internet website; online shopping and	79	20%	217	54%	66	17%	33	8%	5	1%
X19 High quality of products	4	1%	71	18%	103	26%	167	42%	55	14%
X20 A wide choices of products and services	5	1%	102	26%	106	27%	157	39%	30	8%
X21 Healthy and safety of agri-products	1	0%	25	6%	56	14%	171	43%	147	37%
X22 New products development	7	2%	137	34%	130	33%	108	27%	18	5%
X23 Worth value of money	5	1%	78	20%	136	34%	145	36%	36	9%
X24 Reasonable prices	2	1%	81	20%	131	33%	156	39%	30	8%
X25 Getting bargain or discount	39	10%	204	51%	76	19%	74	19%	7	2%
X26 Helpful shop staffs	9	2%	112	28%	118	30%	133	33%	28	7%
X27 Friendly shop staffs	4	1%	61	15%	105	26%	163	41%	67	17%
X28 Knowledgeable staffs in answering	4	1%	76	19%	126	32%	143	36%	51	13%
X29 Home Delivery services	85	21%	204	51%	63	16%	38	10%	10	3%

4.2.4 Relationships between demographics and perceptions of the retailer

In order to test the independency of the results concerning the perceptions and behaviour of consumers, the Pearson Chi-square (χ^2) value of each pair of variables was calculated. This Chi-square test is used to check the independence of the frequency distribution of groups across variables and to determine whether the results can be generalized to the whole population (Argyrous, 2011). The null hypothesis was that the two focal variables were independent. A Chi-square value with a p-value below 0.05 or $p < 0.05$ of asymptotic significance two-sided indicates a statistical relationship between the tested two variables, which means the null hypothesis must be rejected and the proposed hypothesis accepted. In contrast, if the asymptotic significance of the p-value greater than 0.05 for any Chi-square value, the two variables must be statistically independent and therefore the null hypothesis must be accepted and the proposed hypothesis rejected. This study investigated all possible relationships between the eight demographic characteristics and the perceptions of the store, as shown in Table 4.4.

Table 4.4: Asymptotic significance level of Chi-square (χ^2) value of correlation between demographics and store's perception

Perception contents	Gender	Age	Marital	Parental	Occupation	Residence	Shopping	Car
Store recognition	.001*	.000*	.000*	.049*	.085	.049*	.000*	.478
Length of store	.002*	.000*	.000*	.219	.232	.000*	.001*	.000*
Other stores recognition	.042*	.001*	.540	.788	.145	.000*	.408	.388
Q4 Oyama	.611	.002*	.188	.780	.206	.246	.043*	.398
Q4 Fresh farmer's	.298	.000*	.000*	.000*	.000*	.001*	.001*	.019*
Q4 Organic	.007*	.014*	.056	.140	.069	.071	.049*	.794
Q4 Healthy vegetable-	.442	.715	.428	.114	.810	.282	.474	.978
Q4 Healthy buffet	.444	.113	.843	.945	.464	.703	.550	.201
Q4 Flowers –trees	.033*	.048*	.088	.685	.058	.000*	.294	.002*
Q4 Local product	.120	.039*	.024*	.096	.419	.039*	.163	.766
Q4 Natural food materials	.478	.000*	.011*	.007*	.143	.132	.019*	.427
Q4 OVOP	.760	.121	.634	.568	.961	.544	.782	.505
Q4 Co-operative	.308	.000*	.057	.239	.082	.107	.132	.677
Q4 Others	.778	.045*	.329	.623	.127	.000*	.526	.789
Q5 Oyama	.517	.367	.982	.795	.030*	.885	.991	.931
Q5 Fresh farmer's	.577	.000*	.000*	.001*	.006*	.016*	.008*	.058
Q5 Organic	.577	.000*	.000*	.001*	.006*	.016*	.008*	.058
Q5 Healthy vegetable-	.208	.060	.511	.636	.770	.218	.202	.623
Q5 Healthy buffet	.300	.097	.755	1.000	.766	.611	.159	.776
Q5 Flowers –trees	.227	.166	.819	.861	.903	.428	.920	.003*
Q5 Local product	.307	.077	.277	.769	.055	.000*	.613	.088
Q5 Natural food materials	.054	.102	.098	.276	.458	.730	.270	.549
Q5 OVOP	.065	.289	.861	.884	.975	.961	.611	.246
Q5 Co-operative	.071	.024*	.329	.670	.039*	.675	.160	.404
Q5 Others	.260	.984	.416	.267	.585	.763	.300	.343
Found by chance	.812	.912	.291	.339	.261	.001*	.663	.218
Travelled to Oyama	.802	.001*	.400	.541	.465	.095	.534	.829
Tourism campaign	.210	.160	.829	.300	.121	.006*	.111	.123
Friends introduction	.008*	.209	.810	.113	.794	.000*	.082	.720
Roadside signage	.119	.473	.927	.731	.449	.346	.330	.535
Family introduction	.978	.001*	.129	.028*	.003*	.385	.012*	.709
Other reasons	.831	.467	.119	1.000	.861	.006*	.011*	.864
Frequency of visits	.364	.513	.890	.949	.816	.000*	.273	.003*
Konohana Garten	.000*	.899	.881	.133	.402	.016*	.088	.217
Hibikinosato (Oyama)	.216	.562	.968	.498	.308	.581	.967	.556
Michinoeki (Roadside	.837	.093	.546	.022*	.241	.206	.755	.978
Anonymous agricultural	.315	.650	.599	.001*	.100	.971	.384	.632
Choose other stores	.238	.404	.075	.087	.060	.326	.140	.535
Well known	.238	.404	.075	.087	.060	.326	.140	.535
Good location	.835	.170	.139	.018*	.014*	.011*	.133	.330
Good product quality	.006*	.006*	.622	.908	.358	.177	.248	.592
Reasonable price	.256	.236	.743	.171	.252	.826	.020*	.301
Nice layout	.440	.823	.546	.596	.589	.616	.695	.122
Good staff service	.621	.447	.911	.283	.618	.024*	.348	.740
Other reasons	.592	.855	.901	.107	.899	.865	.817	.878
Best aspect theme	.013*	.000*	.000*	.467	.047*	.450	.000*	.148
Originality of that best	.421	.466	.326	.500	.125	.007*	.558	.208

The 376 correlations were tested and 88 significant relationships were found between demographic factors and customers' store perceptions. It can also be noted that many hypotheses were partially accepted because some demographic factors out of eight were statistically proved to relate to some perceptions and visiting behaviours. The numbers of relationships between these two categories of variables indicated the level of that particular demographic variable to perception variables.

Regarding the perception of store recognition, out of eight, two demographic factors – occupation and car possession – were dependent. This result partially confirms H_1 because there were only six demographic characteristics of Japanese customers related to the attitude to store recognition. Next, there were no differences between parental status and occupation in terms of the different lengths of store recognition, so H_2 was partially rejected. In terms of the recognition of other stores, there were only three relationships with demographic factors – age, gender, and residence area – hence, H_3 was also partially rejected.

In terms of the perception of known and recognized aspects of Konohana Garten, known aspects, per se, were what customers were aware of concerning the focal retailer. Recognized aspects were what customers thought of and associated with the focal retailer when only exposed by seeing the name on a banner, sign, logo, or symbol or when hearing the name in the news or in conversation. The results showed that most known and recognized aspects were similar but different in some ways, and some of them had no statistical relationship to demographic factors at all. These were the known and recognized aspects of health concern in food and agri-food materials and the known and recognized aspects of the OVOP project, which consequently means both H_{4d} and H_{4h} are rejected. In contrast, the recognized aspects of natural food and other materials had no difference across the eight demographic factors, but the known aspects of natural food materials were related to differences in age, marital status, parental status, and shopping role. Other known aspects were different across age and residence areas, whereas other recognized aspects had no relationship to any demographic factors. Thus H_{4g} and H_{4j} were partially accepted. The known aspect of Oyama town differed according to age and shopping role, whereas the recognized aspect of Oyama town differed according to occupation; hence, H_{4a} was partially rejected. Next, the known and recognized aspects of farmer's fresh food, vegetables, and fruits were similar in their relationships to age, marital status, parental status, occupation, residence area, and shopping role, but this known aspect was also related to differences in car possession. As a result, H_{4b} was partially accepted. Meanwhile, age and shopping role were the only two demographic factors that both known and recognized aspects of organic agri-food products were related to, whereas gender was only related to the known aspect of it. Furthermore, the recognized aspect of organic agri-food products differed according to marital status, parental status, occupation, and residence area; hence, H_{4c} was partially accepted. The known and recognized aspect of natural fresh flowers and trees had the relationships with the car possession factor. There was no other relationship between this recognized aspect and the rest of the demographic factors, but the known aspect was related to gender, age, and residence area. These results partially reject H_{4e}. Both known and recognized aspects of local agri-food products were related to residence area, but only this known aspect was related to age and marital status, which means H_{4f} is partially accepted. Only the age factor was related to both known and recognized aspects of cooperative retailer entity. There were no other relationships between the known aspect of cooperative retailer entity and other demographic factors, but the recognized aspect was related to occupation. These results partially support H_{4i}.

Regarding the means of getting to know Konohana Garten, family introduction had the most relationships with demographic factors, such as age, parental status, occupation, and shopping role; consequently, H_{5f} is partially supported. The means of finding by chance and via tourism campaign only differed according to residence areas, which means H_{5a} and H_{5c} are almost rejected. Travelling to Oyama town was related to age and, as a result, H_{5b} is almost rejected. Introduction by friends was related to gender and residence area, so H_{5d} was partially accepted. Roadside signage had no differences in any demographic factors; hence, H_{5e} was rejected. Other means of getting to know Konohana Garten were related to residence area and shopping role, which partially confirmed H_{5g}. However, there was no relationship between car possession and any means of getting to know Konohana Garten.

The frequency of visiting behaviour differed according to residence area and car possession and, as a result, H_6 is partially accepted. However, the perception of Konohana Garten as the primary store choice differed according to age and residence area, which partially supported H_{7a}. The perception of considering *michi no eki* and anonymous agricultural shops to be the primary store choice was related only to parental status, so hypotheses H_{7b} and H_{7c} were almost rejected. In terms of the reasons for considering Konohana Garten to be the primary store choice, the retailer's fame, the good layout of the store, and other factors had no relationship with any demographic factors at all; hence, these results rejected H_{8a}, H_{8e}, and H_{8g}. Meanwhile, the reason of good location was related to parental status, occupation, and residence area, which partially supported H_{8b}. The perception of products being good quality was related to gender and age; hence, it partially supported H_{8c}. Reasonable price was related to the shopping role factor only, so H_{8d} is almost rejected. Retailer's good customer service was related to the residence area factor; thus, H_{8f} was almost rejected. The perception of the store's competitiveness was related to gender, age, marital status, occupation, and shopping role but had no relationships with parental status or residence area. Hence, these results partially supported H_9. Furthermore, the perception of the store's originality differed according to residence area only, so H_{10} is almost rejected.

In conclusion, four demographic factors – marital status, occupation, gender, and parental status – all had eight or nine relationships with the perception variables. The least influential demographic factor was car possession, which had only five relationships with the length of time of knowing the store, frequency of visit, ‘farmers’ fresh vegetables and fruit products’, and both ‘fresh flowers and trees’ in known and recognized aspects. On the other hand, the known aspect of ‘farmers’ fresh vegetables and fruit products’ had relationships with every demographic factor except gender.

4.2.5 Relationships between demographics and the retailer’s retailing mix

After completing the Pearson Chi-square test for the eight demographics using the above threshold of asymptotic significance in 4.2.3, the results were determined as shown in Table 4.5. Out of the total 232 possible relationships tested, there were 55 significant relationships between demographic factors and attitudes towards the store’s retailing mix.

Table 4.5: Asymptotic significance level of Chi-square (χ^2) value of correlation between demographics and store’s retailing mix

Question	Gender	Age	Marital	Parental	Occupation	Residence	Shopping	Car
X1 Good accessibility of	.031*	1.000	.569	.764	.000*	.028*	.013*	.013*
X2 Location close to tourist	.379	.296	.200	.352	.724	.373	.278	.010*
X3 Location within the city	.006*	.972	.584	.942	.412	.416	.000*	.001*
X4 The place of location is	.156	.978	.372	.416	.000*	.489	.000*	.049*
X5 Attractive appearance of	.368	.039*	.428	.019*	.000*	.026*	.000*	.028*
X6 Interior and shelf design	.262	.960	.438	.124	.000*	.335	.034*	.162
X7 Light and sound levels	.233	.003*	.120	.414	.000*	.156	.912	.567
X8 Clean shopping and	.003*	.906	.293	.966	.000*	.089	.020*	.363
X9 Proper temperature within	.780	.185	.043*	.037*	.000*	.113	.000*	.358
X10 Convenient parking lots	.394	.358	.155	.650	.000*	.518	.000*	.002*
X11 Toilet and resting areas	.781	1.000	.604	.664	.000*	.773	.987	.780
X12 Regular advertising on	.412	.029*	.192	.277	.000*	.007*	.885	.175
X13 Special advertising on	.023*	.551	.280	.391	.004*	.163	.709	.253
X14 Mass media advertising	.217	.000*	.832	.942	.887	.008*	.762	.528
X15 Shops’ signage and	.895	.000*	.781	.406	.123	.117	.816	.263
X16 Sponsorship of city	.221	.000*	.807	.642	.000*	.093	.818	.631
X17 Individual info. on	.626	.000*	.397	.704	.000*	.467	.892	.341
X18 Internet website; online	.063	.024*	.662	.588	.067	.042*	.737	.317
X19 High quality of products	.246	.768	.477	.666	.840	.717	.432	.714
X20 A wide choices of	.610	.999	.600	.311	.575	.782	.215	.079
X21 Healthy and safety of	.971	1.000	.320	.821	.478	.379	.226	.028*
X22 New products	.539	.002*	.129	.801	.943	.856	.990	.594
X23 Worth value of money	.380	1.000	.043*	.798	.689	.310	.000*	.713
X24 Reasonable prices	.609	1.000	.300	.689	.347	.940	.543	.078
X25 Getting bargain or	.448	1.000	.075	.019*	.675	.489	.686	.278
X26 Helpful shop staffs	.019*	1.000	.725	.614	.068	1.000	.018*	.453
X27 Friendly shop staffs	.551	1.000	.072	.164	.097	.612	.748	.044*
X28 Knowledgeable staffs in	.954	.999	.501	.099	.823	.874	.918	.243
X29 Home Delivery services	.272	.510	.318	.253	.633	.902	.947	.681

Occupation had a high correlation with most retailing mix for13 items; thus, H_{11b} was rejected. Shopping role as the main shopper, age, and car possession had fewer relationships with the retailing mix aspects, and were ranked two, three, and four respectively based on the number of significant relationships between the two groups of variables. Meanwhile, gender and residence area had similar levels of relationship with the retailing mix factors. Marital status and parental status had the fewest relationships as only two and three relationships with the retailing mix, which consequently means H_{11c} was rejected. When the retailing mix antecedents were scrutinized, X5 - attractive appearance of the shop as a whole had the highest number of relationships with demographic factors. X1 - good accessibility of public transportation and X9 - proper temperature within the shop had moderate relationships with the demographic factors but fewer relationships with the communication mix factors. Merchandise, price, and the customer service and selling dimensions had the fewest relationships with the customers' demographic variables. Therefore, the overall results partially supported H_{11a}.

4.3 Findings concerning the retailing mix measurement models

This study used a retailing mix composed of six factors in explaining the marketing efforts of Konohana Garten. This part comprises three sections: the results of store observations and interviews with Konohana Garten's management, exploratory factor analysis, and confirmatory factor analysis from the rating scale results of the part II of questionnaire.

4.3.1 Description from interview sessions

The six factors of the retailing mix are store location, store layout and design, communication mix, merchandise, pricing, and customer service and selling. Based on the researcher's interviews and observations, the key management policy for each dimension is explained below.

Store location

Konohana Garten has its headquarters in Oyama town. This is the base of the whole management team, because the original farmers were based in Oyama town. The retail store was considered to be a business extension of Oyama Agricultural Cooperative Association, so it was decided that the first store should be located near the production fields, because the business has a producer-based perspective. Despite being founded after its organic buffet restaurant, the retailing business was successful enough to open in other areas. The Oyama branch is on the main road, close to the river and mountains and a 15-minutes drive from the highway. There are two bus stations in front of the store, on each side of the road. The store is also located near tourist attractions in Hita and Oyama, such as onsen resorts, temples, and mountains. With the unique appearance of its buildings, it is easy to spot the whole area of Konohana Garten from afar when passing by. Nevertheless, it would not be easy for other branches to imitate this special combination. The management had to consider the necessary strategies concerning the location when they wanted to open a branch in a different atmosphere in the city.

In fact, Konohana Garten has opened branches in two retail formats: stand-alone retail stores and shop-in-a-shop corners. Extensive calculations were done to ensure both types would give return on investment and sales revenues that could support the store in growing and maintaining its business. There are four stand-alone stores and four shop-in-a-shop types. However, there is also a branch in Ōazawatari kakimachi in Hita that is mainly used as the distribution centre.

The stand-alone stores are similar in concept to the food specialty format but rather different in terms of the local agricultural theme and products offered. They normally have organic buffet restaurants, cafés, and an agri-food bazaar as their key operations. The stand-alone branches are in Oyama town, Oita (Akeno), and Fukuoka (Nomaoike and Momochihama). The headquarters branch in Oyama town contains all business operations and opened a bread and bakery shop in early 2013 after offering customers a corner position for a bread section and receiving a good response. Like the Oyama branch, the Nomaoike branch has two separate buildings for its buffet restaurant and agri-food bazaar. The Akeno branch has a stand-alone buffet restaurant but the agri-food bazaar is located in Tokiwa's food department. Meanwhile, Momochihama branch has only an agri-food bazaar and no buffet restaurant or café. Momochihama branch is located on the ground floor of the TNC broadcasting building near Fukuoka Tower, one of the famous tourist attractions of the southern area of Fukuoka city. The store has one side facing the main road and the front entrance is close to the main door of a building that is connected to the park and pathway to Fukuoka Tower. The area of this TNC building is also the centre of many bus lines, being the final station and connecting station for buses coming from the eastern and southern main roads.

> *Regarding the location, our goal is to earn a range of specific amounts per day from each location. We've done surveys of the selling area and population research to decide whether we can earn that expected amount of money from the location and whether the location is suitable for selling our products. (Department Manager, Oyama Agricultural Cooperative Association)*

The other type of retail format is the shop-in-a-shop, which Konohana Garten shop located in the corner nearby the food section of the local department store chain, Tokiwa. There are three locations in Oita: Kasugaura in Frespo supermarket, Wasada town in Tokiwa, and Akeno in Tokiwa, and one branch in Beppu Tsurumi Tokiwa.

> *We were a food processing factory 22 years ago. We sent sales people out of Oita and gradually got partnerships; the one with Tokiwa was especially strong. We started a partnership with Tokiwa Industry, and they invited us to open a shop there. The sales in Tokiwa have increased continuously. We and Tokiwa have also exchanged staff opinions every week for the past few years. (Department manager, Konohana Garten)*

Konohana Garten opened its first branch based on the producer's perspective, and then expanded to a more consumer- or market-focused perspective by trying to get closer to customers and making their products more accessible to buy in the other city branches and department stores. The multiple locations and retail formats created a wider range of prospective customers.

<u>Store layout and design</u>

With various areas of store location and format, each store has a different size of agri-product bazaar; for instance, 'Nomaoike has an area of 1800 square meters whereas Momochihama branch has an area of 1200 square meters' (Department Manager, Konohana Garten). Oyama's headquarters branch has the biggest area – at least three times that of the Fukuoka branches – and sells the widest variety of products as it is the closest branch to the production areas. However, every branch was designed to be as similar as possible to the design of the Oyama headquarters store. The exterior design has a German cottage or barn theme and the interior design embodies simplicity and sincerity in providing the agricultural products; vertical shelves are rarely used, being replaced with cube-like containers. These hard plastic containers are usually laid on tables or short shelves in an orderly manner in the middle and close to two walls, leaving one or two aisles as walkways for customers to stroll around the store. If the products are not in these containers, they are displayed on short tables or in corners with special decoration related to various agricultural themes. Therefore, customers of every age and height can easily access the products as if they were picking them up from a farm or garden. The cube containers are not only beneficial in terms of ease of logistics and supply management but also in terms of forecasting sales and distribution to branches.

> *We put products valuing 2000 yen in total in one container, and we simulate how to put them by considering the size of selling place, the space in the cold showcases, and the total spaces of selling area. As we aim to sell 200 containers per day, the in-store areas should be enough to load the containers for selling to the customers. (Department manager, Konohana Garten)*

Every branch is adjusted to the appropriate temperature via air-conditioning in most seasons and by heaters in the winter. The in-store music is usually low and soothing, mostly classic piano in various forms of Western and Oriental. The theme of the wall decorations is agriculture and society – for example, pictures of fresh agricultural products such as fruits and vegetables; photos of farmers or growers; pictures of Konohana Garten's past events, such as rice harvests or plum harvests; primary-school students' drawings; and bulletin boards with news and information about the store's events and sales promotions.

There are more benches in front of the Oyama branch than the branches in Fukuoka due to the limited space in front of the latter stores. In general, every branch changes its front door decoration according to the changing seasons, to reflect the flowers and trees in Oyama town. In Oyama and Nomaoike, the stores have toilets and restrooms for customers, whereas customers need to use those of nearby department stores at other branches. There are plenty of parking spaces at Oyama branch as it has a rural location, whereas the other branches, in Fukuoka and Oita, have a lot fewer spaces.

<u>The communication mix</u>

By applying the theme of local agricultural food products, Konohana Garten keeps a consistent message in all communications with its customers. The store's name is significant, symbolising a fusion of Japanese culture and Western ideology.

When making a new store or new products, it is important that there is a history behind it. In 1988, when the store started, there was a flower fair. There was a goddess of flowers called 'Konohanasakuyahime', which is the origin of the name of the store, and I had the impression of a gardening allotment in Germany that was very beautiful and prosperous. Therefore, we combined the word 'garden' in German with the name and came up with the name Konohana Garten. (Chairman, Oyama Agricultural Cooperative Association)

Konohana means 'Konohanasakuyahime', who is the princess or goddess of fertility, and garten means 'garden' in the German language. Konohana Garten was inspired by agricultural gardens in Germany. Hence, we use this as the focus of all communications between sellers and customers. (Department Manager, Konohana Garten)

The regular advertising of products and services is based on in-house booklets, posters, and leaflets, which customers and visitors can liberally take for their information. Each store follows the main theme of Oyama branch and adapts its displays as necessary. In general, each store uses in-store signage and banners to inform customers about various messages – for example, special seasonal goods, a corner for a specific product line, the location of cashiers, and cooking recipes. The tones of messages are mainly informative, exciting, and persuasive in order to motivate visitors to make purchases or participate in activities or store events. Most of the store's advertising is placed on the walls near the exit and the entrance, which are normally in the same place. Special events and promotions are displayed on bulletin boards facing customers when they transfer their purchased products from their basket to their bags. There is no evidence of direct postal mail or personal brochure advertisements to individual customers because the main strategy is word of mouth.

Our strategy is that we create more opportunities for communications between farmers and consumers, especially to people in Fukuoka and Oita. We want to give a deep and good impression of Oyama town to prospects and customers there. Once they are involved in and *impressed by the image of local agriculture in Oyama, then they will spread word-of-mouth communications for us. (Department Manager, Konohana Garten)*

Applying the image of local farming production, Konohana Garten has initiated local events at one of the most enjoyable times of the production process, which is the harvest. Instead of sponsoring town events, it creates its own agricultural events for customers and farmers to meet and share the good experience of harvest time together.

Konohana Garten has the Oyama farming image in its brand, which is very special and different from other stores. In order to make that image a good image, we intend to emphasize good soil, safety, and relaxation. The objective of communication is to invite customers and visitors to become fans of Oyama farmers and their products. Therefore, we create activities that support the connection between our local people and consumers. (Department Manager, Konohana Garten)

Konohana Garten also has a website that engages in many activities, such as providing the history and background of the retail store and Oyama Agricultural Cooperative Association, product information, advertising, information on activities, sales promotions, and online shopping with delivery services.

Actually, we are still not satisfied with our advertising. We want more fans, and want to spread our products to new families. Because up until now most of our customers have been of the older generation, we are making use of internet channels, such as our website, as the medium to communicate with the younger generations. (Department Manager, Konohana Garten)

Younger generations tend to be interested in information technology and are becoming progressively more attached to this medium. Therefore, Konohana Garten has to extend its communication activities by using online social networks such as Facebook and Twitter and other channels of online communication tools to connect with its prospects and customers.

Merchandise

The agri-food products of Konohana Garten fall into five main sections: fresh food, cold food, processed food, rice and grains, and ready-to-eat food. The fresh food consists of a wide variety of local products, such as vegetables, fruits, mushrooms, potatoes, onions, and herbs. Despite of a small section, the cold food provides the main foodstuffs for daily consumption, such as frozen fish, *umeboshi* (salted plums), miso paste, tofu, *kinoko* (fermented mushrooms), bottled tea, yogurt, milk, soft drinks, *shirataki* (konnyaku noodles), and other cooking ingredients that need to be stored at low temperatures. The basic food products for the main course of Japanese meals are rice and various beans and pulses. The ready-to-eat food products are *bento* (lunch boxes), bread, and other bakery items such as cookies, pies, Japanese crispy snack, cakes, *mochi*, and pastry. Furthermore, there are other non-food products sections, for instance, living trees, fresh flowers, decorative plants, gardening gadgets, wooden handicrafts, ceramic handicrafts, embroidery, booklets, clothes, *geta* (Japanese wooden clogs), and other cultural souvenirs. Every type of product line is small in quantity but there is a focus on variety. Since farmers can only produce small quantities due to the limited amount of arable land, quality is more important than quantity.

> *We have 800 kinds of product variety in range. We don't count number of SKUs [stock-keeping units] or the quantity of stock in our store. We rather think of the value of stock because we don't stock products that can't be sold. This concept was firstly applied in Oyama Agricultural Cooperative Association when we started a small retailing business for selling local agricultural products. We motivate farmers to produce the products that can be sold in the markets and make a good price out of them, so farmers get more profits based on the response from the market. (Department Manager, Konohana Garten)*

Certainly, customers want to have a good quality of products, with a good or delicious taste, a feeling that the product is safe to consume, and the feeling of a healthy life.

We had the name of 'Oyama Organic Land' for the first factory for our processed products in Japan, more than 40 years ago. We sell vegetables and fruits from buying up and consignments from our local farmers. In order to differentiate our products from others, we use and emphasize the keywords 'safe' and 'healthy' in our agricultural products. (Department Manager, Konohana Garten)

Konohana Garten started to sell buffet food to demonstrate how its local products could be turned into delicious dishes in real meals. Then, it sells the raw agricultural products for customers to cook the meals by themselves at home. The continuity between products in the restaurant and raw materials can convince customers to purchase and consume the products on a regular basis. The development of new products is also related to customers' preferences.

At first, we opened a restaurant and small café where we also sold agricultural products at the small corner if customers enquired. Our local farmers also made other processed food products, such as various fruit jams. We let the customers taste the jams first and sold them to eat with their favourite breads; and then our small section of breads became popular among customers so recently we started selling bread as well. (Department Manager, Konohana Garten)

Therefore, the development of new products is a subtle and gradual process because the retailer needs to confirm that any new products will be sellable and respond to the needs of customers.

As a result, after we got a good response from the customers, farmers started to try and create new and better products, which led to a good store image. Moreover, this way generates a good financial system of investment because we can sell products according to the strong needs of the customers. (Department Manager, Konohana Garten)

This conservative method of product extension can maintain the cash flow of the store rather than necessitating paying to develop unknown markets, which also helps in stabilizing the costs and earnings to prevent loss.

Pricing

Agricultural products are usually bought by traders or wholesalers, so producers, such as farmers or growers, have no choice but to accept the prices that are given by those buyers. This kind of selling through middle men cannot help farmers in gaining more profits because any extra income is distributed among other participants in the supply chain. Commonly, farmers receive only 20 per cent of the total price charged to consumers, with the remaining 80 per cent falling into the pockets of traders, transportation services, wholesalers, and retailers.

However, Konohana Garten turned the tables by letting farmers specify the prices of their products themselves. The pricing system was generated with full co-operation and mutual understanding between Konohana Garten and producers who are farmers and other growers.

> *Farmers decide everything, including price. The minimum is 100 yen, then 150, 200, 250 yen. It can be increased at intervals of 50 yen, like that. Our prices are so standard and reasonable that other shops even decide the prices of their products after checking ours. That means their prices are justified and well accepted in the market. (Department manager, Konohana Garten)*

Producers do not only decide on the prices of their crops; they also obtain 80 per cent of the earnings while giving Konohana Garten the remaining 20 per cent for logistics and retailing costs. In addition, in this way, customers have lower prices compared to modern trade retailers, which operate in the traditional method of the supply chain for agricultural products. However, the cooperative's farmers are also required to package, price, and label their products to sell in Konohana Garten's stores. Farmers and suppliers agreed on this extra work, which is designed to be as simple as possible to facilitate selling and the calculation of sales.

> *When farmers brought their own products [to the store], they decided to make a system of pricing labels. We created and printed the label stickers for them and let them put them on the packages. For instance, products with red stickers are 100 yen, yellow stickers are 200 yen, and green stickers are 300 yen. The white sticker is a special label that is left blank in the price space to be filled out by farmers as it can be adjusted to be different from the regular price points. Farmers are allowed to choose their own prices, mostly in 100 yen increments, and write the date of shipment, the name of the product, and their own names. The reasons are twofold: firstly, customers can easily find out the price by seeing the colour of the labels, and secondly, it is easier for the product registration [stock management] and cashiers to trace the products because farmers don't have barcode technology. (Department manager, Konohana Garten)*

In general, there are special prices for products that are close to their expiry dates. The discount ranges from 10 to 50 per cent for ready-to-eat food product lines, but most other products are usually sellable at their full prices and sold out before they perish.

<u>Customer service and selling</u>

This strategy involves the staff who regularly come into contact with visitors and customers in the stores. Due to the nature of agri-food products, there are few complications in using or consuming them. In general, visitors and customers have problems with minor issues, such as finding their desired products, cooking instructions, asking for empty trays or containers to be refilled with stock, and asking for home delivery on large bundles of products. During holiday seasons, stores offer special products. For example, at New Year there is a New Year *bento* that can be delivered to the designated addresses of customers. Customers seek assistance and help in finding what they need from the hospitable sales staff. When they are on duty, these floor staff wear a uniform of a black polo shirt covered by a green apron that displays the logo of Konohana Garten. The number of staff on duty in each period of time of the day and on each day of the week varies according to the customer traffic. During the busiest time, there are four to six staff who switch roles and share multiple tasks, such as arranging products, operating cash registers, preparing samples, checking stock and filling up empty spaces, and cleaning the shopping areas. As a result, the recruitment of suitable staff who can assist customers by answering their inquiries in a friendly manner is important because it is the first stage of good customer service to have efficient staff. On the other hand, the store's staff training is still weak in practice, though it aimed to improve this in the near future.

> *We recruited new employees through interviewing in Oyama town and Hita city. Certainly, we need to have experienced people; they are more welcome to join our team. However, we also accept non-experienced people because we believe that the heart is more important than knowledge and skilful techniques. Moreover, they need to be serious and dedicated and to work hard, even if they work slowly. We don't provide training for them presently, but we intend to do it in the future to improve our staff's knowledge and service to customers. We know that success won't come without it. We are planning to have small lectures to give information to support our staff in answering customers' questions. We evaluate ourselves at 40 out of 100; hence, we need to improve and create a better quality of service. (Department Manager, Konohana Garten)*

This research also conducted interviews with a few staff, and these provided information about their attitudes towards the work at Konohana Garten. Staff had worked at Konohana Garten for various lengths of time; for instance, more than eight years, three to five years, and one to three years. Staff with more experience had more prominent roles in training newcomers. It is important to review some of their opinions on the work because it can be anticipated that staff with good attitudes to their employers will give better quality of service to customers. Some examples of the attitudes of frontline staff are given below.

> *I started working here nine years ago. I worked five to six days a week from nine am to six pm, so eight hours a day [excluding breaks]. I was told by my cousin that they needed staff here, so I came for interviews and they accepted me as an employee. At the beginning, I didn't know much about Konohana Garten. There were so many customers visiting our store that I was very surprised. It was my first time working in the service trade. Mostly, my seniors taught me how to do my job. When I had something I don't know, I studied by myself. I found that this job is worthwhile. I would give a score of 9 out 10 to my job. I really enjoy working here. Konohana Garten has become bigger and greater, and I think it's better to have something that customers can buy only here, not from other places. (Counter sales staff 1, Oyama branch)*

> *I learn every day by listening to customers and following my seniors' advice. I just want customers to come again, more and more. All I can do is just work hard every day. What I can do is to do my best when I speak to customers, even when I make mistakes. We sell not only products but also our service, so we need to be concerned about customers all the time. (Bazaar sales staff 2, Oyama branch)*

> *This is my third year of working at Konohana Garten. I work five and a half hours a day, five days a week. At first, I was a customer coming to buy food products. I found that they were recruiting new staff, so I applied. I didn't receive any training. My seniors [*sempai*] taught me many things about working and the products. If I wanted to know more on how to cook and eat a particular product, I would call to ask those producers (farmers) about it. Basically, I trained myself by self-studying about explaining to customers. I would give a score of 8 out of 10 to my satisfaction with my work because it is fun for me to work at Konohana Garten. However, I still think that I should improve more to be an ideal worker. I*

also think that we need to keep clean because cleanliness is the key in selling food products, so it must be clean all the time. Moreover, I think we need to have communications between employer [Konohana Garten manager] and sales staff [employee], and also conversations between staff and customers, in order to make customers feel comfortable when they come to the store. It's not only about the products but also the atmosphere of the store. (Bazaar sales staff 3, Oyama branch)

4.3.2 Exploratory factor analysis

This research used dimension analysis or principal component analysis in SPSS version 18 to explore the correlations between all variables which were considered as components for prediction of six factors. The initial 29 total variables used to predict the six factors of the retailing mix were tested using the varimax Kaiser normalization rotation method. 'Component analysis considers the total variance and derives factors that contain small proportions of unique variance and, in some instances, error variance' (Hair et al., 2010, p. 107). Although there is another method called common factor analysis, this study used principal axis factoring, which makes calculations based on common variance extraction. This study used component analysis because it gave better results regarding explaining the total variance when all other conditions remained the same in the tests of both extraction methods.

The results for the 29 items of the six retailing mix aspects scored 0.909 on the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (MSA). The KMO-MSA has an index of 0 to 1; the closer it gets to 1, the better the result and the more sufficient the sampling quantity (Hair et al., 2010; Gaskin, 2012a). They had a Chi-square of 6681.326 with a degree of freedom of 406 based on significance at 0.000 (Sig. $p < 0.05$) using Bartlett's test of sphericity approximation. The results for the 29 items, also called antecedents to the six factors, are displayed in Table 4.6. The table shows each item's correlation with all the other items; the higher the communality value, the more significant is that particular item (Gaskin, 2012a). A low communality value indicates a chance of removal from the model; however, whether or not to remove the item is decided after testing with confirmatory factor analysis (CFA).

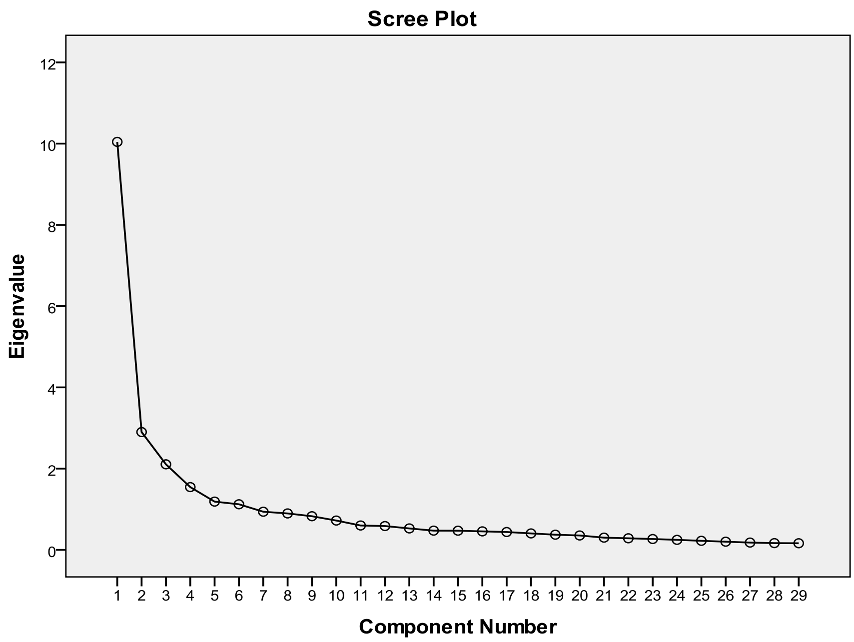
Table 4.6: Communality of 29 antecedents

Antecedents	Initial	Extraction
X1	1.000	.594
X2	1.000	.552
X3	1.000	.716
X4	1.000	.623
X5	1.000	.693
X6	1.000	.814
X7	1.000	.833
X8	1.000	.456
X9	1.000	.515
X10	1.000	.719
X11	1.000	.691
X12	1.000	.612
X13	1.000	.644
X14	1.000	.657
X15	1.000	.656
X16	1.000	.638
X17	1.000	.747
X18	1.000	.581
X19	1.000	.711
X20	1.000	.756
X21	1.000	.615
X22	1.000	.499
X23	1.000	.647
X24	1.000	.640
X25	1.000	.584
X26	1.000	.748
X27	1.000	.772
X28	1.000	.753
X29	1.000	.436

Extraction method: Principal component analysis

Subsequently, a scree plot test in Figure 4.1 was applied to 'identify the optimum number of factors that can be extracted before the amount of unique variances begins to dominate the common variance structure' (Hair et al., 2010, p. 110; see also Cattell, 1966). The resulting curve indicated the drop-off point where the curve began to flatten down. The number of factors above the latent root eigenvalue of 1 was six; at that point the line began to level out into a straight line.

Figure 4.1: Scree test of 29 antecedents



Similarly to the results in the scree test, Table 4.7 shows the explained variance of 29 antecedents at the cumulative percentage of 65.185 for the six factors that had an acceptable threshold of 60 per cent or higher (Hair et al., 2010, p. 111; Vanichbancha, 2012).

Table 4.7: Total Variance Explained of 29 antecedents

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.043	34.631	34.631	10.043	34.631	34.631	5.003	17.251	17.251
2	2.901	10.002	44.633	2.901	10.002	44.633	3.481	12.002	29.253
3	2.106	7.261	51.894	2.106	7.261	51.894	2.934	10.117	39.369
4	1.545	5.327	57.221	1.545	5.327	57.221	2.924	10.084	49.453
5	1.187	4.094	61.315	1.187	4.094	61.315	2.346	8.091	57.544
6	1.122	3.869	65.185	1.122	3.869	65.185	2.216	7.641	65.185
7	.939	3.236	68.421						
8	.896	3.091	71.512						
9	.828	2.854	74.366						
10	.721	2.487	76.853						
11	.600	2.067	78.921						
12	.586	2.021	80.941						
13	.527	1.819	82.760						
14	.473	1.630	84.390						
15	.472	1.626	86.017						
16	.455	1.568	87.585						
17	.439	1.515	89.101						
18	.404	1.395	90.495						
19	.373	1.286	91.781						
20	.354	1.220	93.002						
21	.300	1.036	94.038						
22	.285	.982	95.020						
23	.267	.920	95.940						
24	.246	.850	96.790						
25	.223	.768	97.557						
26	.201	.692	98.250						
27	.179	.617	98.867						
28	.166	.572	99.439						
29	.163	.561	100.000						

The results show that six factors can be applied to construct the latent factors, which are the six retailing mix aspects. The factor structure in Table 4.8 reveals 'the intercorrelations among variables being tested' (Gaskin, 2012a) and correlated them into factors by determining their loading onto each factor. The cross-loading of items, where items are loaded onto more than one factor, was considered to be problematic loading. Items with more than one factor were deemed to drop off in order to gain a clear factor structure.

Table 4.8: Rotated component matrix of six factors of 29 antecedents

	Factor					
	1	2	3	4	5	6
X1					.726	
X2	.360		.224		.576	
X3	.282				.786	
X4			.234		.517	.486
X5			.782			
X6			.845			
X7			.851			
X8	.310		.409		.407	
X9			.461	.245	.249	.371
X10						.807
X11			.203			.764
X12	.543	.248				.462
X13	.699	.262				.242
X14	.773					
X15	.745		.232			
X16	.760					
X17	.821					
X18	.747					
X19				.808		
X20	.205	.230		.784		
X21		.323		.679		.215
X22	.402	.341		.436		
X23		.515		.518	.293	
X24		.576		.496	.205	
X25	.390	.589			.240	
X26	.229	.773		.218		
X27		.770	.218	.228		.251
X28		.769		.275		
X29	.547	.319				

Extraction method: Principal Component Analysis,
Rotation method: Varimax with Kaiser normalization, rotated converged in 6 iterations

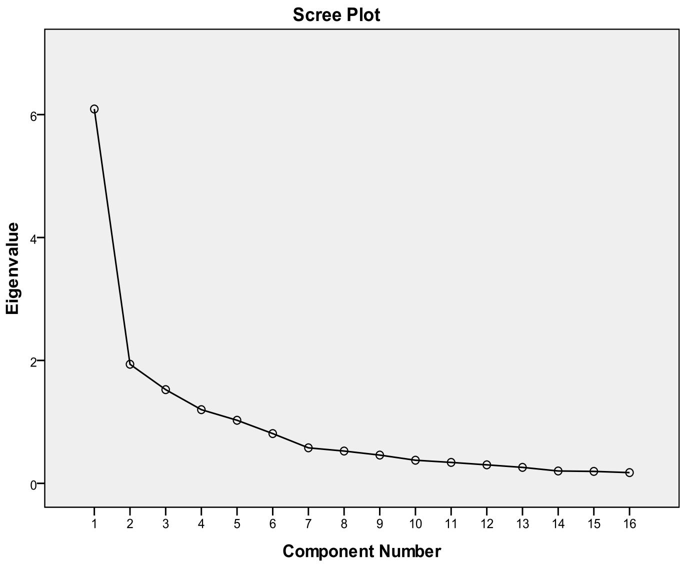
In addition to extracting the six factors based on the scree plot and a total explained variance exceeding 60 per cent, the initial set of 29 antecedents were investigated to cut off some items, in order to attain better results and a suitable model to apply during the next stage: constructing structural equation models. After numerous tests on cut-off factors in each group of each factor, the most appropriate number was found using exploratory factor analysis (EFA). Excluding the low communalities and cross-loading items, the final result of 18 items had a KMO measurement of sampling adequacy of 0.869 with a Chi-square of 4129.558 and a degree of freedom of 153 based on significance at 0.000 (Sig. $p < 0.05$) using Bartlett's test of sphericity approximation. The 16 antecedents' communalities are displayed in Table 4.9.

Table 4.9: Communality of 16 antecedents

Antecedents	Initial	Extraction
X1	1.000	.760
X2	1.000	.628
X4	1.000	.660
X5	1.000	.744
X6	1.000	.852
X7	1.000	.820
X14	1.000	.718
X17	1.000	.790
X18	1.000	.718
X19	1.000	.828
X20	1.000	.798
X23	1.000	.884
X24	1.000	.884
X26	1.000	.807
X27	1.000	.874
X28	1.000	.824

All factor loading extraction exceeded 0.50, which demonstrates well-indicated theoretical practices. The scree plot test in Figure 4.2 shows the results for the six factors above the eigenvalue of 1; these mirror the six items in the retailing mix.

Figure 4.2: Scree test of 16 antecedents



The extraction of 16 antecedents showed a total explained variance at the cumulative percentage of 77.041 for the six factors that achieved more than the acceptable threshold of 60 per cent; this total explained variance is higher than all the previous tests, as shown in Table 4.10.

Table 4.10: Total variance explained for 16 antecedents

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.091	38.068	38.068	6.091	38.068	38.068	2.595	16.219	16.219
2	1.938	12.110	50.178	1.938	12.110	50.178	2.582	16.135	32.355
3	1.525	9.529	59.707	1.525	9.529	59.707	2.326	14.537	46.891
4	1.199	7.493	67.200	1.199	7.493	67.200	1.735	10.845	57.737
5	1.026	6.415	73.615	1.026	6.415	73.615	1.677	10.480	68.217
6	.810	5.061	78.676	.810	5.061	78.676	1.673	10.459	78.676
7	.578	3.612	82.288						
8	.526	3.285	85.573						
9	.460	2.874	88.447						
10	.376	2.351	90.799						
11	.341	2.129	92.928						
12	.301	1.882	94.810						
13	.260	1.624	96.435						
14	.201	1.257	97.692						
15	.194	1.216	98.907						
16	.175	1.093	100.000						

Extraction Method: Principal Component Analysis. Rotation method: Varimax

The achieved factor structure has clearer loading in each group, even though there is cross-loading of items, which is considered to be a minor drawback. Because the higher loading in a single factor is obvious enough to capture in a specific component, the variables correlated in six factors can be identified in Table 4.11. Factor 1 is composed of X26, X27, and X28; factor 2 is composed of X5, X6, and X7; factor 3 is composed of X14, X17, and X18; factor 4 is composed of X23 and X24; factor 5 is composed of X19 and X20; and factor 6 is composed of X1, X2, and X4.

Table 4.11: Rotated component matrix of six factors of 16 antecedents

	Component					
	1	2	3	4	5	6
X1						.838
X2		.225	.404		-.213	.578
X4	.238	.336				.680
X5		.824				
X6		.884				
X7		.859				
X14			.796			
X17			.834			
X18			.804		.241	
X19					.848	
X20	.304			.262	.755	
X23	.265			.836	.224	
X24	.314			.844	.206	
X26	.816			.207		
X27	.866	.217				
X28	.833			.220		

Reliability and validity of EFA

In EFA, reliability can be measured by calculating Cronbach's alpha for each factor. This should exceed 0.7 and contain at least three variables, though sometimes two variables are permissible (Hair et al., 2010; Gaskin, 2012a). The Cronbach's alphas for the six factors, based on the above components, were 0.900 for factor 1, 0.879 for factor 2, 0.803 for factor 3, 0.873 for factor 4, 0.816 for factor 5, and 0.637 for factor 6. The reliability of factor 6 might be a little short of the threshold; however, it would be retested in the CFA to verify whether it could be included in the measurement model.

On the other hand, the above factor loading for each factor also showed enough convergent validity, referring the sufficient loadings of the variables within a single factor that were highly correlated (Hair et al., 2010). As shown in Table 4.12, the discriminant validity of the cross-loading of multiple factors can be verified in two ways: by examining differences in cross-loading of more than 0.20 or by investigating the factor correlation matrix (Gaskin, 2012a).

Table 4.12: Factor Correlation Matrix of 16 antecedents

Factor	1	2	3	4	5	6
1	1.000	.455	.400	.626	.536	.462
2	.455	1.000	.419	.354	.328	.438
3	.400	.419	1.000	.314	.279	.406
4	.626	.354	.314	1.000	.565	.455
5	.536	.328	.279	.565	1.000	.320
6	.462	.438	.406	.455	.320	1.000

Extraction Method: Principal Axis Factoring. Rotation Method: Promax with Kaiser Normalization.

The convergent validity can be satisfied when the correlation values between the factors are below 0.70 (Gaskin, 2012a). All correlations in Table 15 are below 0.70. Hence, it can be concluded that these 18 variables satisfy the convergent validity. Although the factor structure in Table 15 shows that X2 is problematic regarding this issue, the tested construct of remaining X2 gave a better result for that factor component than removing it. Therefore, in this case X2 was held as the constraint to support the construct of factor 6, which would be tested further for suitability in the CFA.

4.3.3 Confirmatory factor analysis

Confirmatory factor analysis ‘specifies how measured variables logically and systematically represent constructs involved in a theoretical model’ (Hair et al, 2010, p. 693). In general, most authors use CFA only on the result from the final EFA model, or after they have removed uncorrelated variables. This study used EFA as a preliminary stage of identifying factors and then applied the results from EFA in affirming via CFA whether the components had proper measurement models for all factors. AMOS ver. 21 was used to generate the maximum likelihood estimation (MLE) method for estimating the measurement model, which is based on a covariance matrix of variables (Gaskin, 2012c). Figure 4.3 uses the initial results of the EFA to show the path analysis for all 29 variables; it shows the initial structure for testing the multidimensionality of constructed retailer equity.

Figure 4.3: Path analysis in confirmatory factor analysis of the 29 antecedents

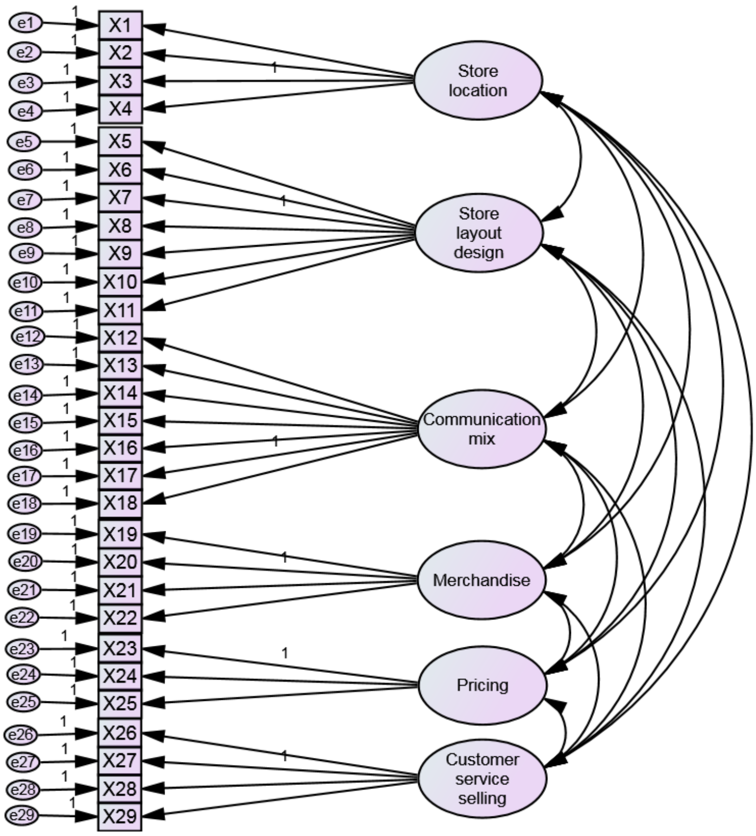


Table 4.13 shows the results of loading in each of the 29 items. The construct based on the review literature shows various standard regression weights (factor loading) for each item. Antecedents with low standardized regression weights (below 0.50) were considered to have low power in the individual constructs, according to the thinking that ‘standardized loading estimates should be 0.50 or higher, and ideally 0.70 or higher’ (Hair et al., 2010, p. 695). Therefore, the first items to be considered for removal were X8, X10, X11, and X29.

Table 4.13: Standard regression weights of 29 antecedents

Factors		Retailing mix	Estimate
X1	<---	Store Location	0.575
X2	<---	Store Location	0.646
X3	<---	Store Location	0.694
X4	<---	Store Location	0.634
X5	<---	Store Layout & Design	0.742
X6	<---	Store Layout & Design	0.861
X7	<---	Store Layout & Design	0.877
X8	<---	Store Layout & Design	0.491
X9	<---	Store Layout & Design	0.610
X10	<---	Store Layout & Design	0.441
X11	<---	Store Layout & Design	0.486
X12	<---	Communication mix	0.653
X13	<---	Communication mix	0.751
X14	<---	Communication mix	0.786
X15	<---	Communication mix	0.783
X16	<---	Communication mix	0.759
X17	<---	Communication mix	0.842
X18	<---	Communication mix	0.633
X19	<---	Merchandise	0.739
X20	<---	Merchandise	0.847
X21	<---	Merchandise	0.664
X22	<---	Merchandise	0.585
X23	<---	Pricing	0.887
X24	<---	Pricing	0.866
X25	<---	Pricing	0.559
X26	<---	Customer Services & Selling	0.850
X27	<---	Customer Services & Selling	0.894
X28	<---	Customer Services & Selling	0.855
X29	<---	Customer Services & Selling	0.396

The error in measurement can be found in Table 4.14. The estimates of unstandardized error variances are displayed in the second column and the standardized error, in the third column, indicates that all variances were significantly different among the latent variables, including the six factors and their errors in the constructs. The critical ratios showed the statistical significance tested by the significance values in the p-value column with asterisks.

Table 4.14: Variances of 29 antecedents

Variables	Estimate	S.E.	C.R.	P
Store Location	14.153	2.048	6.912	***
Pricing	19.028	1.792	10.62	***
Merchandise	17.902	1.834	9.764	***
Customer Services & Selling	23.617	2.125	11.115	***
Store Layout & Design	17.767	1.66	10.701	***
Communication mix	11.359	1.122	10.126	***
e4	17.448	1.536	11.36	***
e3	15.204	1.48	10.274	***
e2	19.089	1.708	11.179	***
e1	27.657	2.285	12.104	***
e25	14.856	1.114	13.337	***
e23	5.183	0.736	7.044	***
e20	7.048	0.86	8.196	***
e19	12.719	1.126	11.293	***
e29	20.321	1.464	13.877	***
e28	7.392	0.722	10.244	***
e27	5.949	0.699	8.515	***
e26	7.141	0.684	10.441	***
e11	23.256	1.703	13.66	***
e10	27.386	1.99	13.762	***
e6	6.062	0.635	9.539	***
e18	12.443	0.942	13.207	***
e15	6.764	0.567	11.93	***
e13	7.348	0.596	12.329	***
e12	11.092	0.847	13.1	***
e5	11.943	0.976	12.235	***
e7	5.354	0.604	8.868	***
e8	19.638	1.439	13.645	***
e9	14.47	1.094	13.226	***
e14	6.536	0.55	11.873	***
e16	8.466	0.692	12.237	***
e17	4.671	0.435	10.74	***
e21	14.317	1.164	12.303	***
e22	14.396	1.113	12.94	***
e24	5.561	0.685	8.116	***

The inter-construction values among the six factors are revealed using the correlations between each pair of variables, as shown in Table 4.15. The correlations were actually the standardized covariances of the two factors. A value of correlation of more than 0.70 can indicate multicollinearity – using which ‘a construct can be explained by the other constructs in the analysis’ (Hair et al., 2010, pp. 204, 633) – of those two factors in the model. The items constructed in one factor can be explained by other factors. In this case, the correlations between price and merchandise had a value slightly higher than the threshold. These two factors were considered to be drop-off items that created this problematic issue.

Table 4.15: Correlations of the retailing mix

Factors		Factors	Estimate
Store Location	<-->	Pricing	0.503
Store Location	<-->	Merchandise	0.450
Store Location	<-->	Customer Services & Selling	0.446
Store Location	<-->	Store Layout & Design	0.500
Store Location	<-->	Communication mix	0.569
Pricing	<-->	Merchandise	0.716
Pricing	<-->	Customer Services & Selling	0.668
Pricing	<-->	Store Layout & Design	0.419
Pricing	<-->	Communication mix	0.396
Merchandise	<-->	Customer Services & Selling	0.677
Merchandise	<-->	Store Layout & Design	0.462
Merchandise	<-->	Communication mix	0.434
Customer Services & Selling	<-->	Store Layout & Design	0.493
Customer Services & Selling	<-->	Communication mix	0.486
Store Layout & Design	<-->	Communication mix	0.513

Furthermore, in order to investigate whether each item could be explained by the latent variables, the squared multiple correlations test was conducted, as shown in Table 4.16. If the number of squared multiple correlations in each item is close to 1, this shows a high reliability of that item or indicates that it has a good measurement onto the latent construct (Hair et al., 2010; Tirakanan, 2012, p. 258). Although there is no suggested threshold for this measurement, obvious discrepancies with other items could be found in X8, X10, X11, and X29.

Table 4.16: Squared multiple correlations

Antecedents	Estimate
X1	0.331
X2	0.417
X3	0.482
X4	0.402
X5	0.551
X6	0.741
X7	0.768
X8	0.241
X9	0.372
X10	0.194
X11	0.236
X12	0.427
X13	0.565
X14	0.618
X15	0.613
X16	0.577
X17	0.709
X18	0.400
X19	0.546
X20	0.718
X21	0.441
X22	0.342
X23	0.786
X24	0.749
X25	0.313
X26	0.722
X27	0.799
X28	0.732
X29	0.157

Based on the estimates from the above CFA model, the calculation of the construct's reliability and validity can be found in Table 4.17. The composite reliability of all factors was acceptable, whereas the values of the average variance extracted (AVE) for store layout and for design and store location were 0.444 and 0.408 respectively, which indicated a convergent validity of less than 0.50. The values of the maximum shared squared variance (MSV) and the average shared squared variance (ASV) were also calculated to examine the discriminant validity of the construct (Gaskin, 2012d). The merchandise factor had a validity problem because the square root of the AVE for merchandise was less than the absolute value of the correlations with another factor and the AVE for merchandise was less than the MSV. This initial construct had problems in terms of both convergent and discriminant validity.

Table 4.17: Reliability and validity test in confirmatory factory analysis of 29 antecedents

	Retailing mix	**CR**	**AVE**	**MSV**	**ASV**	**1**	**2**	**3**	**4**	**5**	**6**
1	**Store layout and design**	0.839	0.444	0.263	0.229	0.666					
2	**Store Location**	0.733	0.408	0.324	0.246	0.500	0.639				
3	**Pricing**	0.823	0.616	0.513	0.309	0.419	0.503	0.785			
4	**Merchandise**	0.804	0.512	0.513	0.315	0.462	0.450	0.716	0.715		
5	**Customer service and selling**	0.849	0.602	0.458	0.317	0.493	0.446	0.668	0.677	0.776	
6	**Communication mix**	0.898	0.558	0.324	0.234	0.513	0.569	0.396	0.434	0.486	0.747

Remarks: all values were calculated by using the statistic tools package (source: Gaskin, 2012b), thresholds: CR >0.7, AVE > 0.5, AVE>MSV, MSV>ASV (source: Hair et al. 2010, p. 695, 709)

An overall measure of model fit of the initial measurement model is displayed in Table 4.18, divided into four types of fitness measurement: absolute fit indices, incremental fit indices (or comparative fit), parsimony fit indices, and other indices. It was clear that all of the results in every index were less than the threshold, which indicated that the initial model required modification.

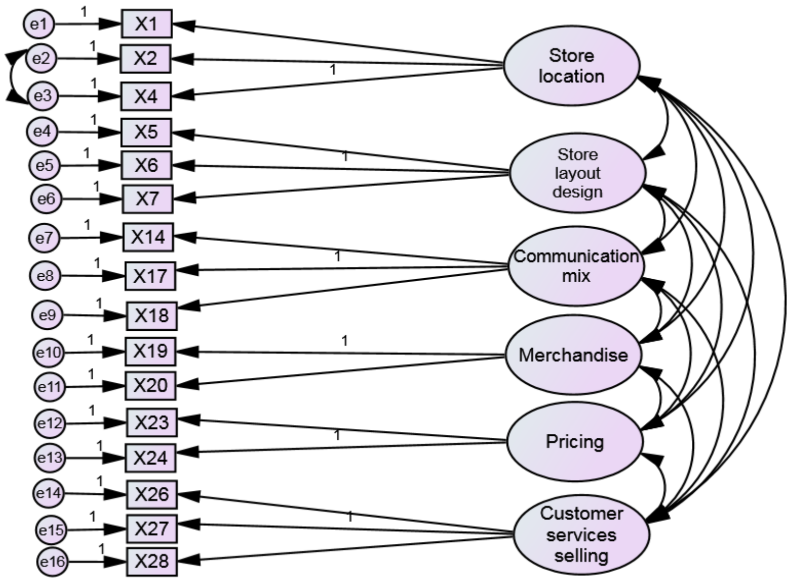
Table 4.18: Measure of fit of confirmatory factory analysis of 29 antecedents

Measurement of fitness	value
a.Absolute fit indices	
Chi-square (CMIN/df, min <3 max <5)	4.234
Degree of freedom at significant level of .05	362 (p = .000)
Goodness of fit (GFI, >.90)	.768
Adjusted goodness of fit (AGFI, >.80)	.721
Root Mean square error of approximation (RMSEA <.07 with CFI above .92)	.090
PCLOSE (> .05)	.000
Standardized Root Mean Residual (0<SRMR< .08 with CFI above .92)	.096
b.Incremental Fit indices (or Comparative Fit)	
Tucker Lewis index (TLI, >.90)	.797
Normed fit index (NFI, >.90)	.777
Comparative fit index (CFI, >.90)	.819
c. Parsimony Fit Indices	
Parsimonious normed fit index (PNFI, the higher, the better)	.692
Parsimonious comparative fit index (PCFI, the higher, the better)	.730
d.Other indices	
Hoelter (>200, significant level .05)	107

Remark: Sources for thresholds: Hair et al. 2010; Gaskin 2012; Tiraganan 2012

This research made many model modifications by removing the problematic items and investigating the results as per the above process. The updated result based on the EFA of 16 items was investigated using CFA, as shown in Figure 4.4. Overall, 11 factors were dropped, but each factor had different numbers of items that were cut off. One item was deleted from each of store location, pricing, and customer service and selling; two items were dropped from each of communication mix and merchandise; and four items were dropped from store layout and design.

Figure 4.4: Confirmatory factor analysis after deconstruction of 16 antecedents



Most items were removed because of their low communalities. These were X8, X9, X22, X25, and X29. Although the rest of the six items (X3, X10, X11, X12, X13, X15, X16, and X21) had fairly acceptable values of communality in EFA, they created problems in terms of convergent and discriminant validity when tested using CFA. Therefore, as shown in Figure 16, two indicator variables were obtainable for the merchandise constructs 'high quality of product' (X19) and 'wide choice of products and services' (X20) and the pricing constructs 'worth value of money' (X23) and 'reasonable prices' (X24); thus, H_{15a}, H_{15d}, and H_{16c} concerning merchandise and pricing factors were rejected. Three indicator variables remained for the store location constructs 'good accessibility of public transportation' (X1), 'location close to tourist attractions' (X2), and 'location is easily to find'(X4); for the store layout and design constructs 'attractive appearance of shops as a whole' (X5), 'interior and shelf design and arrangement' (X6), and 'light and sound levels indoors'(X7); for the communication mix constructs 'mass-media advertising such as television, radio, magazines' (X14), 'individual information on advertising and promotion' (X17), and 'internet website: online shopping and delivering' (X18); and for the customer service and selling constructs 'helpful shop staff'

(X26), 'friendly shop staff' (X27), and 'knowledgeable staff in answering and advising' (X28). As a result, these results rejected H_{12a}, H_{13d} H_{13e}, H_{13f}, H_{13g}, H_{14a}, H_{14b}, H_{14d}, H_{14e}, H_{15b}, H_{15d}, H_{16c}, and H_{17d}.

The deleted items eliminated the validity problems and achieved both reliability and validity in all constructs of the six factors, as shown in Table 4.19. Composite reliability of all six factors was achieved when their convergent validities tested by the AVE were established. All of the six factors' discriminant validities were again tested by calculating the MSV and ASV and their results this time passed the thresholds.

Table 4.19: Reliability and validity test in confirmatory factory analysis after deleting items

	Retailing mix	CR	AVE	MSV	ASV	1	2	3	4	5	6
1	**Communication mix**	0.811	0.592	0.172	0.154	0.769					
2	**Store Location**	0.750	0.513	0.224	0.166	0.411	0.716				
3	**Layout and Design**	0.885	0.720	0.224	0.172	0.415	0.473	0.849			
4	**Merchandise**	0.826	0.705	0.382	0.230	0.389	0.334	0.389	0.840		
5	**Pricing**	0.873	0.775	0.415	0.233	0.322	0.377	0.352	0.618	0.881	
6	**Customer Services and Selling**	0.902	0.754	0.415	0.263	0.415	0.431	0.436	0.595	0.644	0.868

Remark: all values were calculated by using the statistic tools package (source: Gaskin, 2012b), thresholds: CR >0.7, AVE > 0.5, AVE>MSV, MSV>ASV (source: Hair et al. 2010, p. 695, 709)

Almost every item had a standardized regression weight higher than 0.70, except X1 and X18, which had only 0.472 and 0.664 respectively (a little lower than the threshold), as shown in Table 4.20. The reason was that those two variables were held as the constraint in order to support the whole construct of the measurement model. The tests for deleting these two items were executed earlier, during the repeated process of EFA and CFA, but it was found that the most suitable results retained these items.

Table 4.20: Standardized Regression Weights: Measurement model of retailing mix construct

Antecedent		Retail mix	Estimate
X1	<---	Store location	0.472
X2	<---	Store location	0.768
X4	<---	Store location	0.852
X6	<---	Store layout and design	0.915
X5	<---	Store layout and design	0.756
X7	<---	Store layout and design	0.867
X14	<---	Communication mix	0.737
X17	<---	Communication mix	0.890
X18	<---	Communication mix	0.664
X19	<---	Merchandise	0.750
X20	<---	Merchandise	0.921
X23	<---	Pricing	0.880
X24	<---	Pricing	0.881
X26	<---	Customer services & selling	0.844
X27	<---	Customer services & selling	0.905
X28	<---	Customer services & selling	0.854

Table 4.21 shows most of the estimates of unstandardized error variances, the standardized error, the critical ratio, and the p-value of each variable. It indicated that their variances were significantly different. The errors of X4 and X20 (e3 and e11) had critical ratios with no statistical significance as the p-values were 0.018 and 0.003 respectively. They reflected that the variance of errors in the observed variables were the same or no difference across the estimated values. Mainly, they affected the reliability and validity of the model, but since those constructs all passed the tests, as shown in Table 4.22, these results were noted to be the offending estimates but were admissible in the model fit analysis.

Table 4.21: Variances of 16 antecedents

Factors	Estimate	S.E.	C.R.	P
Store location	21.158	3.894	5.434	***
Store layout & design	19.609	1.736	11.294	***
Communication mix	12.684	1.288	9.852	***
Merchandise	15.739	2.002	7.862	***
Pricing	17.224	1.698	10.145	***
Customer services & selling	24.219	2.139	11.32	***
e2	13.432	3.444	3.9	***
e1	32.116	2.624	12.239	***
e5	3.831	0.638	6.003	***
e4	11.378	0.943	12.06	***
e3	8.004	3.397	2.356	0.018
e7	7.833	0.746	10.495	***
e9	11.6	0.972	11.94	***
e8	3.346	0.694	4.821	***
e6	5.743	0.659	8.712	***
e10	12.258	1.259	9.735	***
e11	3.778	1.256	3.008	0.003
e12	5.46	0.888	6.15	***
e13	4.962	0.814	6.098	***
e14	7.389	0.699	10.564	***
e15	5.347	0.694	7.702	***
e16	7.477	0.731	10.232	***

The standardized covariances of bivariate analysis displayed as correlations of two factors in Table 4.22 indicate all acceptable values of correlation below 0.70. The moderate correlations between these factors in the measurement model were attained to apply in the next analysis of the structural model.

Table 4.22: Correlations: Measurement model of retailing mix construct

Latent variables		Latent variables	Estimate
Store location	<-->	Store layout and design	0.473
Store location	<-->	Merchandise	0.334
Store location	<-->	Pricing	0.377
Store location	<-->	Customer services & selling	0.431
Store location	<-->	Communication mix	0.411
Store layout and design	<-->	Merchandise	0.389
Store layout and design	<-->	Pricing	0.352
Store layout and design	<-->	Customer services & selling	0.436
Store layout and design	<-->	Communication mix	0.415
Merchandise	<-->	Pricing	0.618
Merchandise	<-->	Customer services & selling	0.595
Communication mix	<-->	Merchandise	0.389
Pricing	<-->	Customer services & selling	0.644
Communication mix	<-->	Pricing	0.322
Communication mix	<-->	Customer services & selling	0.415
e2	<-->	e3	-0.894

The squared multiple correlations of all items are displayed in Table 4.23. They illustrate various levels, mostly moderate to high reliability, in describing the latent construct, as the values range from 0.441 to 0.849 with the exception of X1, which was only 0.223 for the reasons given earlier concerning its communality and conditions. The key interpretation for each observed variable concerned how well it could contribute to the construct's latent factors. X20 had the highest squared multiple correlations at 0.849, which indicated 84.9 per cent the reliability of this variable on the merchandise factor. X1 had 0.223, or 22.30 per cent, in indicating the store location construct. The rest of the variables were interpreted in the same manner. The three levels of values from the squared multiple correlations were as follows: X4, X6, X7, X17, X20, X23, X24, X26, X27, and X28 had high values which was greater than 70 per cent; X2, X5, X14, and X19 had mediocre values or greater than 50 per cent, and X1 and X18 had low values or lower than 50 per cent.

Table 4.23: Squared multiple correlations: retailing mix

Measure variables	Estimate
X1	0.223
X2	0.590
X4	0.726
X5	0.572
X6	0.837
X7	0.752
X14	0.543
X17	0.791
X18	0.441
X19	0.562
X20	0.849
X23	0.775
X24	0.776
X26	0.712
X27	0.819
X28	0.729

After conducting many experiments in deleting items, a final model that passed the thresholds of all goodness-of-fit indices was created, as illustrated in Table 4.24. Because each fit index can indicate particular aspects of the model fit, the study employed four types of fit index to assess the model. All four types of fitness measurement – absolute fit indices, incremental fit indices (or comparative fit), parsimony fit indices, and other indices (Hoetler) – were tested to confirm whether the measurement model was appropriate.

Table 4.24: Measure of fit of confirmatory factory analysis of 16 antecedents

Measurement of fitness	value
a.Absolute fit indices	
Chi-square (CMIN/df, min <3 max <5)	2.132
Degree of freedom at significant level of .05	88 (p = .000)
Goodness of fit (GFI, >.90)	.946
Adjusted goodness of fit (AGFI, >.80)	.917
Root Mean square error of approximation (RMSEA <.07 with CFI above .92)	.053
PCLOSE (> .05)	.293
Standardized Root Mean Residual (SRMR) (0<SRMR< .08 with CFI above .92)	.043
b.Incremental Fit indices (or Comparative Fit)	
Tucker Lewis index (TLI, >.90)	.959
Normed fit index (NFI, >.90)	.946
Comparative fit index (CFI, >.90)	.970
c. Parsimony Fit Indices	
Parsimonious normed fit index (PNFI, the higher, the better)	.694
Parsimonious comparative fit index (PCFI, the higher, the better)	.711
d.Other indices	
Hoelter (>200, significant level .05)	236

Remark: Sources for thresholds: Hair et al. 2010, p.672; Gaskin 2012c; Tiraganan 2012, p. 249

In the absolute fit indices, instead of using only the traditional measure of Chi-square (χ^2) – a test of badness of fit or CMIN, which 'is the minimum value of the discrepancy function between the sample covariance matrix and the estimated covariance matrix' (Abdih and Medina, 2013, p. 8) – this study used CMIN/df in investigating the model fit. This is because the Chi-square (χ^2) test 'is known as less reliable, with a great tendency to indicate significance differences, when sample sizes are greater than the range of 100 to 200' (Pappu and Quester, 2006a, p. 323). This model had a CMIN/df value of 2.132 (Chi-square (χ^2) CMIN = 187.651, degree of freedom = 88) with a p-value of 0.000 that yielded an acceptable or adequate fit between the hypothetical model and the sample data (Carmnines and Mclver, 1981; Byrne, 1989). In general, the p-value of 0.000, being less than the significant level of 0.05 or 0.01for the CMIN, is considered as the rejection of proposed model because it was 'not supported by the sample variance-covariance data' (Schumacker and Lomax, 2004, p. 162); however, with a large sample size (as here: 400), the Chi-square value is usually inflated, and might mistakenly imply a poor model fit (Schumacker and Lomax, 2004). In other words, it is somewhat difficult to have a p-value greater than 0.01 or 0.05 in most large sample sizes. Therefore, other fit indices were required to measure the badness of model fit and to test for error in creating a lack of fit in the model; these were the root mean square error of approximation (RMSEA), PCLOSE for RMSEA, and standardized root mean residual (SRMR). A RMSEA value less than 0.05 is a good fit or less than 0.07 with a comparative fit index (CFI) above 0.92; together with a PCLOSE value of more than 0.05. The accepted null hypothesis should have RMSEA value lesser than 0.05. This shows a close fit between the hypothetical model and the sample data. SRMR was used to measure the residuals of the sample data. It should have a value as close as possible to zero, but a value less than 0.05 is also considered to be a well-fitting model (Byrne, 1998; Diamantopoulos and Siguaw, 2000). The value was found to be 0.043; hence, SRMR had a good fit in this model. In addition, the measurement of goodness of fit was calculated by comparing the fit of the two models (Schumacker and Lomax, 2004) – the proposed model and the saturated model with the same data. A value equal to 1 indicates a perfect fit. The goodness-of-fit value was 0.946 and the adjusted goodness of fit was 0.917, which indicated a fairly good fit of the proposed model.

The incremental fit or comparative fit indices, measuring the proportion in improvement of fit by comparing the studied model and the baseline model, are the Tucker Lewis Index (TLI), the Normed Fit Index (NFI), and the CFI, concerning which it has been suggested that values more than 0.90 should be general cut-off values (Hair et al., 2010). Values greater than 0.92 or 0.95 have recently been recognized to be indicative of a good fit (Hu and Bentler, 1999; Hooper et al., 2008). Hence, the TLI value of 0.959, the NFI value of 0.946, and the CFI value of 0.970 indicated that the model was a good fit.

‘In assessing the quality of a model, especially when comparing different models formulated for a given set of data, the goodness of fit of the model should never be taken into account without also taking into account the parsimony of the model’ (Mulaik et al., 1989, p. 437). The parsimony fit indices can support the acceptance or rejection of the proposed model when used to support other fit indices. The values of any parsimony index range from 0 to 1. Although there has been no suggestion of a cut-off value, in practice, higher values are a better reflection of the goodness of fit. This study used the Parsimonious Normed Fit Index (PNFI) and the Parsimonious Comparative Fit Index (PCFI), which had values of 0.694 and 0.711 respectively. From these it can be implied that the proposed model had mediocre goodness of fit.

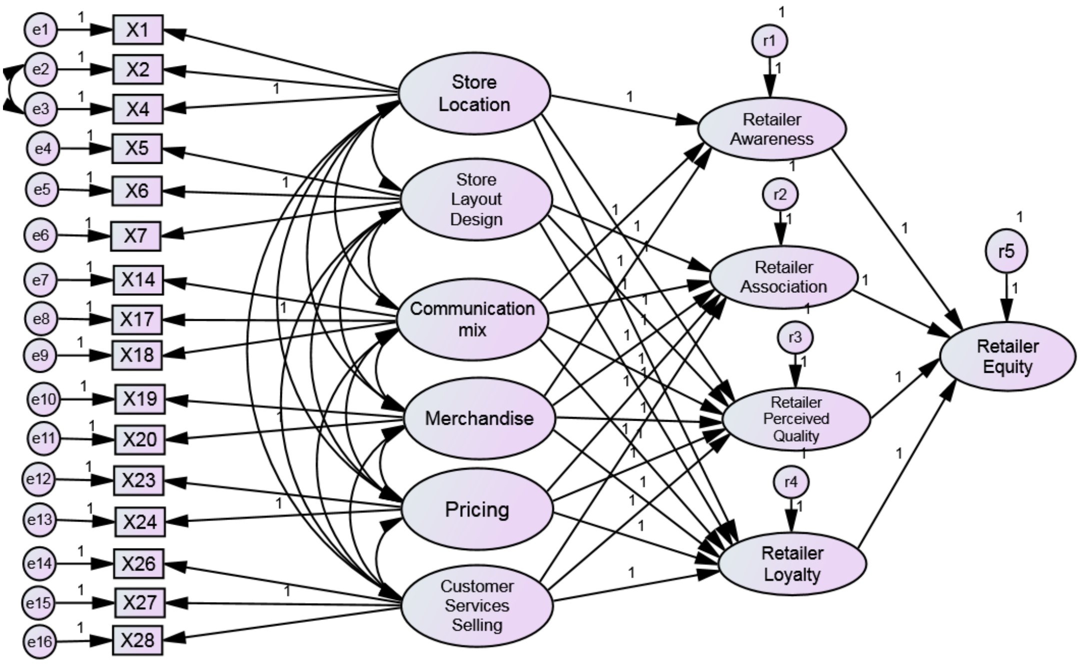
Hoelter’s critical N (CN) was used as another model fit index as it is ‘a means to estimate the size that a sample must reach in order to accept the fit of a given model on a statistical basis’ (Hoelter, 1983, p. 330). A cut-off CN value equal to or greater than 200 indicates a goodness of fit that assesses ‘the closeness of the sample covariance matrix to the model predicted covariance matrix’ (Bollen and Liang, 1988, p. 494). This model had a Hoelter CN value of 236 with a significance level of 0.05.

The results of the above fit indices supported the sample data well enough to use them in structural equation modelling (SEM), as outlined in the next section.

4.4 Findings of structural equation models of the retailing mix and retailer equity

The last step of quantitative analysis for searching for the influences of the retailing mix on the retailer equity of the small-scale agri-food retailer used higher-order modelling of path analysis in identifying the impacts of the second-order measurement of the retailer equity. Path analysis is a statistical technique that calculates simultaneous multivariate regressions or equations. The purpose of path analysis in SEM is to investigate how well the proposed measurement model can specify the causal relationships between the variables based on the set of observed variables (Savalei and Bently, 2006, p. 332). 'The structural model describes three types of relationships in one set of multivariate regression equations: the relationships among factors, the relationships among observed variables, and the relationships between factors and observed variables that are not factor indicators' (Mplus, 2013, p. 56). In the relationships between factors and among observed variables in this research, the latent variables were constructed in the reflective formation, which 'assume[s] that the latent construct causes the observed indicators, that is, the observed variables "reflect" the changes in the latent construct' (Arnett et al., 2003, p. 161; see also Bollen, 1989). Yoo et al. (2000, p. 198) proposed a model in which marketing efforts are positively related to brand equity through the mediation of the dimensions of brand equity. However, their research used five marketing efforts reflecting product management, which related to only three brand equity dimensions: perceived quality, brand loyalty, and brand awareness/associations. Hence, this present study not only systematized the marketing efforts based on the theory of the retailing mix but also adopted the approved model of retailer equity dimensions of Pappu and Quester (2006), based on the framework of Aaker (1991), in constructing the dimension of retailer equity and measuring the impact on retailer equity. However, the calculation of the relationship between the construct of the retailer equity dimensions and retailer equity used the formative formation rather than the reflective formation as 'it is assumed that the observed variables cause or "form" the latent variable' (Arnett et al., 2003, p. 161; see also Diamantopoulos et al., 2008). The reflective formation from retailer equity to dimensions is yet undiscovered; as a result, the present study intended to investigate the path analysis of the causal relationships from observed variables between the retailing mix and retailer equity as shown in Figure 4.5.

Figure 4.5: Structural models of the impact of the higher-order retailing mix on retailer equity



Since the measurements of observed variables are considered to be an imperfect indication, the errors of observed variables are required for the retailer equity and its dimensions; these are termed r1, r2, r3, r4, and r5. This study created structural equation models by using the second-order formation of the retailer equity dimensions to construct retailer equity. These second orders of formative indicators from the retailing mix construct to retailer equity had no other constructs concerning observed variables relating to the four retailer equity dimensions and retailer equity because the research merely intended to examine the path of formative relationships from retailing mix to retailer equity. The four dimensions of retailer equity – retailer awareness, retailer association, retailer perceived quality, and retailer loyalty – were hypothesized to perform as moderators from retailing mix to retailer equity.

4.4.1 Relationships between the retailing mix elements and the retailer equity dimensions

Since the study used retailer equity dimensions as second-order factors, the results of standard regression weights were used, instead of unstandardized estimates, to indicate the statistical relationships between the six retailing mix aspects and the four dimensions of retailer equity. These are displayed separately in Table 4.25 and Table 4.26.

Table 4.25: Standard regression weights: retailing mix to retailer equity dimension

Retailer equity dimensions		Retailing mix	Estimate
Retailer Awareness	<---	Store Location	0.468
Retailer Awareness	<---	Merchandise	0.469
Retailer Awareness	<---	Communication mix	0.363
Retailer Association	<---	Store Layout & Design	0.269
Retailer Association	<---	Communication mix	0.217
Retailer Association	<---	Merchandise	0.280
Retailer Association	<---	Pricing	0.252
Retailer Association	<---	Customer Services & Selling	0.299
Retailer Perceived Quality	<---	Store Layout & Design	0.229
Retailer Perceived Quality	<---	Communication mix	0.185
Retailer Perceived Quality	<---	Merchandise	0.238
Retailer Perceived Quality	<---	Pricing	0.215
Retailer Perceived Quality	<---	Customer Services & Selling	0.255
Retailer Perceived Quality	<---	Store Location	0.236
Retailer Loyalty	<---	Merchandise	0.238
Retailer Loyalty	<---	Pricing	0.215
Retailer Loyalty	<---	Customer Services & Selling	0.255
Retailer Loyalty	<---	Communication mix	0.185
Retailer Loyalty	<---	Store Layout & Design	0.229
Retailer Loyalty	<---	Store Location	0.238

The estimates of the relationships between the retailing mix elements and the retailer equity dimensions supported all hypotheses regarding the relationships between the retailing mix elements and the retailer equity dimensions: H_{18a}, H_{18b}, H_{18c}, H_{19a}, H_{19b}, H_{19c}, H_{19d}, H_{19e}, H_{20a}, H_{20b}, H_{20c}, H_{20d}, H_{20e}, H_{20f}, H_{21a}, H_{21b}, H_{21c}, H_{21d}, H_{21e}, and H_{21f}. The retailing mix elements were all positively related to the retailer equity dimensions in various loadings.

From Table 4.25, the highest estimates were merchandise and store location in the retailer awareness construct, whereas customer service had the highest value for retailer association. In addition, customer service and selling had the highest loadings to retailer perceived quality and retailer loyalty. Merchandise and store location did not have the highest loadings in other retailer equity dimensions; they were ranked as second and third in the loadings in those cases.

The standardized regression weights of the retailer equity dimensions in relation to retailer equity, shown in Table 4.26, also reveal positive relationships between the retailer equity dimensions and retailer equity. Therefore, the results supported the hypotheses H_{22} and H_{23} of the relationships between the retailer equity dimensions and retailer equity – since retailer awareness and retailer association were positively related to retailer equity, which retailer awareness had the lowest degree and retailer association had a higher degree than retailer awareness but lower than retailer perceived quality and retailer loyalty. In contrast, the results partially supported the hypotheses H_{24} and H_{25} of the relationships between retailer equity and retailer perceived quality, between retailer equity and retailer loyalty. Because these two dimensions of retailer equity were equally and positively related to retailer equity highest among four dimensions. The two highest loadings of retailer loyalty and retailer perceived quality could derive from all loadings of the six retailing mix elements whereas the other two, retailer association and retailer awareness, had five or three factor loadings.

Table 4.26: Standard regression weights: construct of retailer equity

Retailer equity		Retailer equity dimensions	Estimate
Retailer Equity	<---	Retailer Awareness	0.154
Retailer Equity	<---	Retailer Association	0.258
Retailer Equity	<---	Retailer Loyalty	0.303
Retailer Equity	<---	Retailer Perceived Quality	0.303

The variances of the structural model were similar to the CFA because there was no additional observed variable construct on the retailer equity dimension and retailer equity. Hence, their estimates of the variance of errors were equal to 1, as specified for the path analysis calculation, and are shown in Table 4.27.

Table 4.27: Variances of the structural model

Factors	Estimate	S.E.	C.R.	P
Store Location	21.158	3.894	5.434	***
Pricing	17.224	1.698	10.145	***
Merchandise	21.172	2.134	9.92	***
Customer Services & Selling	24.219	2.139	11.32	***
Store Layout & Design	19.609	1.736	11.294	***
Communication mix	12.684	1.288	9.852	***
r1	1			
r2	1			
r3	1			
r4	1			
r5	1			
e3	8.004	3.397	2.356	0.018
e2	13.432	3.444	3.9	***
e1	32.116	2.624	12.239	***
e12	5.46	0.888	6.15	***
e11	3.778	1.256	3.008	0.003
e10	12.258	1.259	9.735	***
e16	7.477	0.731	10.232	***
e15	5.347	0.694	7.702	***
e14	7.389	0.699	10.564	***
e5	3.831	0.638	6.003	***
e7	7.833	0.746	10.495	***
e4	11.378	0.943	12.06	***
e6	5.743	0.659	8.712	***
e8	3.346	0.694	4.821	***
e13	4.962	0.814	6.098	***
e9	11.6	0.972	11.94	***

Since consumers perceive retailers' marketing efforts simultaneously (Ailawadi and Keller, 2004; Miranda et al., 2005), the correlations between the retailing mix elements remained as they were in the CFA shown in Table 4.28. The moderate degree of correlation, less than

0.70, among the retailing mix elements indicated a mutual formation in constructing the retailer equity dimensions and retailer equity.

Table 4.28: Correlations: retailing mix to retailer equity

Factors		Factors	Estimate
Store location	<-->	Pricing	0.377
Store location	<-->	Merchandise	0.334
Store location	<-->	Customer services & selling	0.431
Store location	<-->	Store layout and design	0.473
Store location	<-->	Communication mix	0.411
Pricing	<-->	Merchandise	0.618
Pricing	<-->	Customer services & selling	0.644
Pricing	<-->	Store layout and design	0.352
Pricing	<-->	Communication mix	0.322
Merchandise	<-->	Customer services & selling	0.595
Merchandise	<-->	Store layout and design	0.389
Merchandise	<-->	Communication mix	0.389
Customer services & selling	<-->	Store layout and design	0.436
Customer services & selling	<-->	Communication mix	0.415
Store layout and design	<-->	Communication mix	0.414
e3	<-->	e2	-0.894

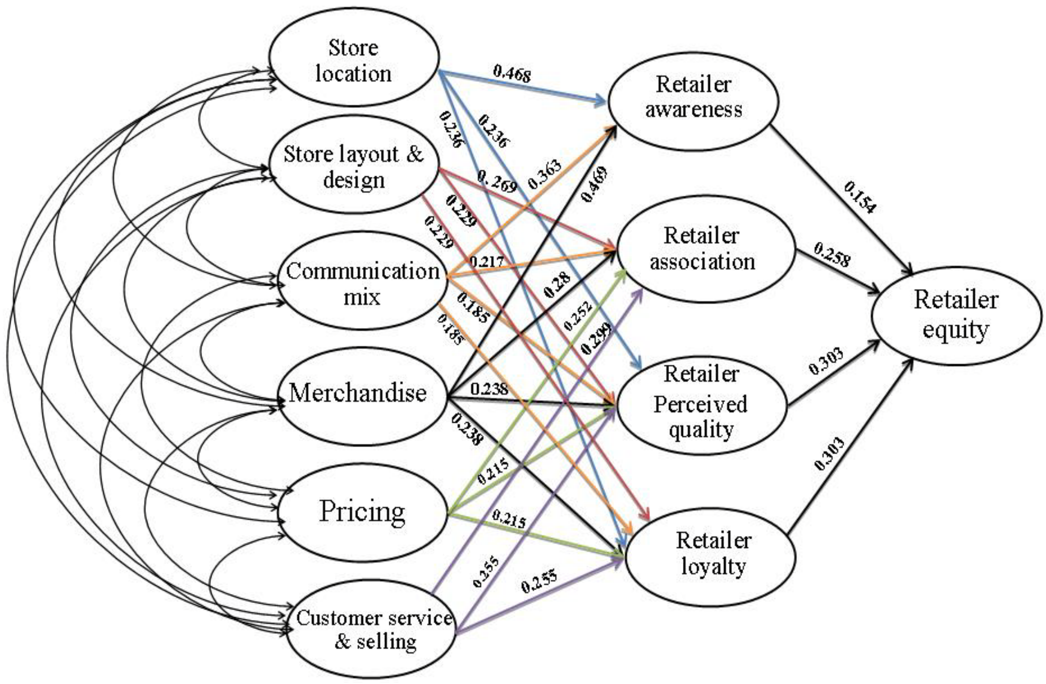
In the reflective formation, 'the squared multiple correlations are the values representing the extent to which a measured variable's variance is explained by a latent factor' (Hair et al., 2010, p. 692). Similarly to communality in EFA, each value of squared multiple correlation can identify the level of an item relating to the latent factor. The squared multiple correlations of the retailing mix factors were similar to the CFA results in Table 4.23; however, the estimates of squared multiple correlations as the formative construct showed high values of 99.7 per cent in retailer perceived quality and retailer loyalty, while retailer association and retailer awareness had values of 99.6 per cent and 99 per cent respectively for the reliability of the retailing mix relationships shown in Table 4.29. Retailer equity had 100 per cent of the four retailer equity dimensions in constructing the retailer equity, in accordance with the previous literatures.

Table 4.29: Squared multiple correlation of retailer equity relationships

Factors	Estimate
Retailer equity	1.000
Retailer awareness	0.990
Retailer association	0.996
Retailer perceived quality	0.997
Retailer loyalty	0.997

The results of standardized regression weights for the direct relationships in the structural modelling are illustrated in Figure 4.6. This study aimed to suggest a connection between the retailing mix and retailer equity by using the second-order latent factors as mediators to illustrate the relationships based solely on the retailing mix factors.

Figure 4.6: Structural models of the retailing mix and retailer equity



Remarks: the measurements of goodness of fit are as follow: CMIN/df = 2.132, root mean square error of approximation (RMSEA) = 0.053, PCLOSE = 0.293, standardized root mean residual (SRMR) = 0.043, Goodness-of-Fit index (GFI) = 0.946, Adjusted Goodness-of-Fit index (AGFI) = 0.917, Normed Fit Index (NFI) = 0.946, Tucker Lewis Index (TLI) = 0.959, comparative fit index (CFI) = 0.970, Parsimonious Normed Fit Index (PNFI) = 0.694, Parsimonious Comparative Fit Index (PCFI) = 0.711, and Hoelter = 236.

4.4.2 Relationships between the retailing mix elements and retailer equity

This research assumed that, as the review literatures, retailer equity can receive indirect effects from the retailing mix elements via the four retailer equity dimensions rather than there being a direct impact on retailer equity. "The process of calculating an estimated covariance first identifies all of the direct and indirect paths that relate to a specific covariance or correlation. Then, the coefficients are used to calculate the value of each path, which are then totalled to get the estimated value for each covariance/correlation" (Hair et al., 2010, p.652). This research employs the standardized regression weight from exogenous to endogenous variables in forecasting the relationships. Although the achieved model has no observed variable on the retailer equity dimensions, the computations of each relationship between retailing mix element and retailer equity dimension can be achieved by using the standardized regression weights and correlations from Table 4.25 and 4.28. Unlike previous studies that randomly pointed out particular groups of marketing strategies in measuring the relationships with retailer equity, this research aimed to propose that retailer equity is affected indirectly by a proper construct of the retailing mix elements.

Regarding to Figure 4.6, every relationship between retailing mix element and retailer equity dimension has both direct and indirect paths. Then, the relationship between retailing mix element and retailer equity intermediated by the four retailer equity dimensions can be achieved. For example, in order to estimate the relationship between store location and retailer equity involves with two steps. First is to calculate the impacts of both direct and indirect paths in three relationships as:

- Relation ship (1) Store location → Retailer awareness

Direct path: Store location → Retailer awareness = 0.468

Indirect path:

Store location → Communication mix → Retailer awareness = 0.411x0.363 = 0.149

Store location → Merchandise → Retailer awareness = 0.334x0.469 = 0.197

Total of direct and indirect paths: Direct + Indirect = 0.468+0.149+0.197 = 0.774

- Relationship (2) Store location → Retailer perceived quality

Direct path: Store location → Retailer perceived quality = 0.236

Indirect path:

Store location → Store layout and design → Retailer perceived quality = 0.108

Store location → Communication mix → Retailer perceived quality = 0.076

Store location → Merchandise → Retailer perceived quality = 0.079

Store location → Pricing → Retailer perceived quality = 0.081

Store location → Customer service and selling → Retailer perceived quality = 0.110

Total of direct and indirect paths: 0.236+0.108+0.076+0.079+0.081+0.109 = 0.690

- Relationship (3) Store location → Retailer loyalty

Direct path: Store location → Retailer loyalty = 0.236

Indirect path:

Store location → Store layout and design → Retailer loyalty = 0.108

Store location → Communication mix → Retailer loyalty = 0.076

Store location → Merchandise → Retailer loyalty = 0.079

Store location → Pricing → Retailer loyalty = 0.081

Store location → Customer service and selling → Retailer loyalty = 0.110

Total of direct and indirect paths: 0.236+0.108+0.076+0.079+0.081+0.109 = 0.690

Second is to compute the total impact of store location → retailer equity by using the standardized regression weight of the three relevant retailer equity dimensions as:

Store location → Retailer awareness → Retailer equity = 0.774x0.154 = 0.119

Store location → Retailer perceived quality → Retailer equity = 0.691x0.303 = 0.209

Store location → Retailer loyalty → Retailer equity = 0.691x0.303 = 0.209

Total effect of store location on the retailer equity = 0.119+0.209+0.209 = 0.537

The rest of the relationships between each retailing mix element and retailer equity dimension are also calculated in the same pattern. The summary of these computations is shown in the below Table 4.30.

Table 4.30: Summary of relationships between retailing mix element and retailer equity

Relationship description	Direct path	Indirect path	Impact of both paths	Relationship with Retailer equity	Total Effect on retailer equity
Store location --> Retailer awareness	0.468	0.306	0.774	0.119	
Store location --> Retailer perceived quality	0.236	0.454	0.690	0.209	
Store location --> Retailer loyalty	0.236	0.454	0.690	0.209	0.537
Store layout and design --> Retailer association	0.269	0.418	0.687	0.177	
Store layout and design --> Retailer perceived quality	0.229	0.468	0.697	0.211	
Store layout and design --> Retailer loyalty	0.229	0.468	0.697	0.211	0.599
Communication mix --> Retailer awareness	0.363	0.374	0.737	0.113	
Communication mix --> Retailer association	0.217	0.424	0.641	0.165	
Communication mix --> Retailer perceived quality	0.185	0.474	0.659	0.199	
Communication mix --> Retailer loyalty	0.185	0.474	0.659	0.199	0.678
Merchandise --> Retailer awareness	0.469	0.297	0.766	0.117	
Merchandise --> Retailer association	0.280	0.523	0.803	0.207	
Merchandise --> Retailer perceived quality	0.238	0.524	0.762	0.230	
Merchandise --> Retailer loyalty	0.238	0.524	0.762	0.230	0.786
Pricing --> Retailer association	0.252	0.530	0.782	0.201	
Pricing --> Retailer perceived quality	0.215	0.559	0.774	0.234	
Pricing --> Retailer loyalty	0.215	0.559	0.774	0.234	0.670
Customer service and selling --> Retailer association	0.299	0.537	0.836	0.215	
Customer service and selling --> Retailer perceived quality	0.255	0.558	0.813	0.246	
Customer service and selling --> Retailer loyalty	0.255	0.558	0.813	0.246	0.708

Based on the method of estimating structural equation model (Hair et al., 2010, pp.651- 652), the result of relationships shown in Figure 4.6, the equation of retailer equity dimension used in predicting value for retailer equity can be:

$\hat{y}_{\text{Retailer equity}}$ = (0.154)Retailer awareness + (0.258)Retailer association + (0.303) Retailer perceived quality + (0.303)Retailer loyalty

By the above equation and the result in Table 4.30, the multiple-equation prediction can be expanded because each retailer equity dimension is also endogenous. The Substituting equation for retailer equity into the equation of four retailer equity dimensions is as below.

$\hat{y}_{\text{Retailer equity}}$ = 0.154[0.774(store location) + 0.737(communication mix) + 0.766(merchandise)] + 0.258[0.687(store layout and design) + 0.641(communication mix)+0.803(merchandise) + 0.782(pricing) + 0.836(customer service and selling)]

+ 0.303[0.690(store location) + 0.697(store layout and design) + 0.659(communication mix) + 0.762(merchandise) + 0.774(pricing) + 0.813(customer service and selling)]

+ 0.303[0.690(store location) + 0.697(store layout and design) + 0.659(communication mix) + 0.762(merchandise) + 0.774(pricing) + 0.813(customer service and selling)]

Then, the multiple-equation of retailing mix elements on the retailer equity can be:

$\hat{y}_{\text{Retailer equity}}$ = [0.119(store location) + 0.113(communication mix) + 0.117(merchandise)]

+ [0.177(store layout and design) + 0.165(communication mix) + 0.207(merchandise) + 0.201(pricing) + 0.215(customer service and selling)] + [0.209(store location) + 0.211(store layout and design) + 0.199(communication mix) + 0.230(merchandise) + 0.234(pricing) + 0.246(customer service and selling)] + [0.209(store location) + 0.211(store layout and design) + 0.199(communication mix) + 0.230(merchandise) + 0.234(pricing) + 0.246(customer service and selling)]

Finally, the final multiple-equation for retailer equity prediction based on the elements of retailing mix can be obtained as:

$\hat{y}_{\text{Retailer equity}}$ = 0.537(store location) + 0.599(store layout and design) + 0.678(communication mix) + 0.786(merchandise) + 0.670(pricing) + 0.708(customer service and selling)

The results concerning the indirect impacts of the retailing mix on retailer equity were all positively related; therefore, H_{26a}, H_{26b}, H_{26c}, H_{26d}, H_{26e}, and H_{26f} were supported. The values of coefficients indicate the possible impacts from various retailing mix elements. Merchandise had the highest value of 0.786, whereas the Customer service and selling ranked second of 0.708. Communication mix had the third rank of estimated value of 0.678, which was fairly similar to the Pricing's value of 0.670. Store layout and design had a value of 0.599, and Store location had the least effect on retailer equity at 0.537.

4.5 Discussion of findings

4.5.1 External factors discussion

The findings concerning the five external factors – rural or community development schemes, government support and intervention, socioeconomic situation, retail competition, and customer behaviour – are discussed in three parts. Firstly, the influences of these factors on the local community varied in terms of levels and extents but they were connected along the supply chain of agricultural production to consumer. The connection is that farmers produce what to the market or customers wants, and the cooperative retailer, who operates to provide the maximum benefit for the local community, mainly distributes products. Local people who wanted to see their community grow and have a better quality of life initiated the rural development in Oyama. With limited resources, skills, and knowledge, the agricultural community could have the support from the government regarding production matters rather than encouraging them towards market distribution. Although any government can provide support upon request, the speed of response and magnitude of support will vary based on the national policy and municipal capability. The retail industry in Japan is very highly competitive; nonetheless, Konohana Garten has maintained its business throughout many crises, for more than 20 years. Competition was not only a source for improving the store's competitiveness but also a mirror for the quality of its business performance in the retail industry.

Secondly, these five factors made local people make decisions based on choices. All participants – such as farmers, suppliers, consumers, staff, and management – could have chosen to do things in other ways; however, they chose to act as they did. A win–win situation among the three main sides – producer, retailer, and consumer – was built and strengthened and has lasted long enough to create a change in the market. This change is reflected in the results of the long duration and consistent expansion of Konohana Garten. Farmers and agricultural producers had the choice to continue growing their crops or relinquish or change their profession; meanwhile, they could choose to sell their products to traditional traders or wholesalers, as they had been used to doing for a long time. Farmers chose to continue in their agricultural occupations not only because it is a source of income but also because of the tradition and society. Certainly, farmers should gain more earnings out of working on agricultural activities than working in other occupations. The socioeconomic earnings are greater than the opportunity costs in working in an industrial factory or entering the service industry. On the other hand, the agricultural cooperative could choose to limit its work supporting farmers in the upstream of the production process instead of extending its operations to cover the retailing or selling of processed food directly to consumers. Oyama Agricultural Cooperative Association decided to dedicate itself to supporting farmers from the beginning of production to the end by distributing products to consumers. It was a gradual process of operation that required appropriate management and marketing philosophies to be accomplished. Consumers, the important party in the downstream of the supply chain, can decide to buy agri-food products from other places. The tendency of shopping behaviours was towards convenience and less price elasticity; however, there are consumers who still choose to buy from this retailer because so far it has been able to respond to and satisfy their needs and expectations.

Lastly, the most important issue was the characteristics of the local community. Unlike many farmers who choose to depend mainly on government supports, the local farmers and their agricultural cooperative in this case study initiated and invented ways to survive and grow. The keys to maintaining growth in every aspect were self-reliance and an entrepreneurial spirit. When assistance from outside is diminished, the drive to survive, which originates on the inside and spreads out to real practice, can motivate people to seek ways to overcome any difficulty and achieve their life goals. Entrepreneurship lies in people's practices and ways of thinking, such as vision, ability to learn, creativity, adaptation, and leadership; these qualities support them in being flexible about changes and dynamically adjusting for a better performance and further improvement.

4.5.2 Customers characteristics

The findings of this study concerning customer characteristics revealed many interesting aspects of Japanese consumers' attitudes to buying decisions and store selection for agricultural food products. It is important for retailers – especially local or cooperative enterprises – to know the current market inclination in order to strategically adapt their retailing practices. Because related demographic factors – such as age, gender, occupation, residence areas, marital status, and being the lead purchaser in the household – can affect the buying decision-making process, the dominant issues of purchasing behaviour regarding agricultural food products for consumers' daily lives can be affected by a store's location. Moreover, these customers tend to be more individualistic and less dependent on their peer group's opinions on store choice. Furthermore, the outcomes also show that Japanese consumers who buy at the community store are most concerned with freshness and having plenty of product variety and availability in buying agricultural food items. Meanwhile, the regular visits monthly and weekly reflect buying frequency and a strong tendency for consumers to be loyal to the store.

The results of this research partly supported and partly contradicted the consumer survey of Oita prefecture in 2008, which examined retailer type, conditions when buying goods, buying time during weekday or weekend, means of access to retailers, and patterns behind and reasons for buying goods outside one's city of residence including non-store buying channels: catalogues, mail order, Internet shopping. Besides, the previous research contained no test for possible relationships between specific demographics and buying patterns or perceptions. This research fulfils this missing element and elaborates on the complicated aspects of consumer characteristics according to a variety of demographic factors.

<u>Gender</u>

The results show that women are still the dominant gender when it comes to household shopping. The survey by JETRO in 1981 found that 43 per cent of married women were solely responsible for the budget and that 40.7 per cent shared this responsibility with their husbands. Only 16.3 per cent of women answered that their husbands controlled the family expenses. There was no gender comparison in the national survey on buying agri-food products. Oita prefecture's consumer survey in 2008 selected only female respondents, as they believed that shopping was the main duty of women. Although there were few evidences from official surveys on Japanese consumer's attitude in the agri-food buying behaviours, the new male generation or Soushouku danshi (Fukasawa, 2009) might share the similar traits of female's attitudes in preparing food and buying food. On the contrary, this study did not restrict the gender of respondents. The discovered results showed that there was no difference between women's and men's responses in terms of the merchandising and pricing aspects of the retailing mix in the context of the purchase of agri-food products. The two genders answered differently regarding store recognition, whether they had come to know the retailer as a result of being introduced by a friend, the best aspect of the store, the recognized aspects 'organic vegetables and fruits' and 'fresh flowers and trees', the reason for Konohana Garten being the first-choice store, and specifically whether they mentioned good product quality as a reason for choosing Konohana Garten. There is evidence that gender relates to differences in the perception of the store and in how customers came to know the store, because the genders have different reference groups such as friends or family and various interests in the retailer.

Age

The results of the Oita survey showed that, whereas most consumers for 53.1 per cent mentioned the importance of product quality in buying fresh food including vegetables, fruit, meat, fish, and other perishable products, the different age ranges had different attitudes. Whereas respondents aged 50–59 bought fresh food based on its quality, the younger generation aged 20–39 bought it based on cheap price and nearby location. This study affirmed that different ages have different attitudes to the importance of good product quality. However, there was no relationship between difference in age and attitudes to other factors such as store's fame, location, pricing, layout, and staff service. Moreover, different age groups had relationships with other factors, such as store recognition, means of getting to know the store for example travel to Oyama and introduction by family members, the best aspect of the store, recognized aspects, and associated aspects. Another interesting issue surrounding age is that, whereas customers in different age groups had different attitudes to the communication mix, store layout, and design indicators, they had no dissimilarities of opinion regarding three aspects of the retailing mix, store location, pricing, and customer service. Hence, the age characteristic is still an important factor to consider when implementing retail marketing.

A retailer should understand its target customers and invest marketing efforts in reaching those customers.

<u>Occupation</u>

In Oita prefecture survey found that most respondents were government officers and company's employees for more than half of the respondents. There was no question on the marital status but it can be implied that either married or not, most of them were working wives or single women. The study in buying food behaviour in U.S. by Roberts and Wortze, (1979) mentioned that either workingwives or housewives had the tendency in recognizing advertising and promotion of food retailer in different ways. This research found that occupation had no relationship to store recognition or to whether Konohana Garten was the first choice of store. This can confirm the result of Roberts and Wortsze that the memory about food buying related to their major concerns such as time, quality, or price. However, people with different kinds of occupation responded differently regarding their means of coming to know the target retailer whether they had been introduced by family members, the best aspect of the store, the known aspect of 'farmers' fresh vegetables and fruits', and recognized aspects 'by name of Oyama town', 'farmers' fresh vegetables and fruits' 'organic vegetables and fruits', and 'cooperative retailer'. Unlike customers' ages and genders, customers' occupations affected whether they chose the retailer for its good location. Whereas three retailing mix factors, merchandise, pricing, and customer service and selling, had no relationship with occupation, every indicator regarding the store's layout and design related to customers' occupation type. Furthermore, occupation was also related to attitudes regarding the good accessibility of public transportation, the ease of finding the retailer's location, regular advertising of products and services, special advertising on the shop's bulletin board, sponsorship of city events, and customized information on advertising and promotions to individuals.

Marital status

Oita prefecture survey in 2008 did not include the question of marital status. The recent national surveys on consumer also described this characteristic in term of housewives condition without focus on the different marital condition or relationship with their buying behaviour. Like car possession, marital status had no relationship with the means of coming to know the target retailer, whether the store was the customer's first choice, or the reason for it being the first choice. The married respondents had various perceptions on store recognition, the best aspect of the store, and the recognized aspects 'farmer' fresh vegetables and fruits', 'local products', and 'natural food ingredients and products'. Marital status also had barely any relationship to perceptions of the retailing mix; the exceptions were layout and design, proper temperature within the store and pricing, value for money.

Parental status

Although Oita prefecture survey in 2008 revealed only the number of people in the household or family, the result of three to five and more five people can be interpreted as the parental status in comparing to this study. The finding of that survey in 2008 showed that there were more than 70 per cent of respondents who had the residents in family from three to five and more than five, which was almost the same number of this research. However, that survey did not expand the finding into the relationship analysis with their attitudes and buying behaviours. This research found that parental status had no relationship with any general perceptions except the best aspect of the store and the originality of the store. Like marital status, respondents with a child or children had different opinions from non-parents regarding the two retailing mix factors layout and design, and pricing. It is possible that the parental status of customers affects their perception of the store because they do not buy food only for themselves but also for their offspring. As a result of time and budget constraints, they need to spend less time shopping and get the best prices. Suitable layout and design and pricing could be their priorities in choosing a food retailer.

Residence area

There was a profound stratified sampling of residences all over Oita prefecture in its survey in 2008; however, the results were only related to the amount and percentage of people in each district in Oita prefecture. There was no in-depth analysis on the relationship of residence areas and their buying pattern except the questions on the use of car in travelling to buy products from other towns. This result of this research did not only provide the finding in percentage, but also the relationship with other variables. The residence area affected store recognition, means of knowing the target retailer, frequency of visiting, known aspects of the store and recognized aspects based on the store's name only such as 'farmers' fresh vegetables and fruit', 'fresh flowers and trees', 'local products', 'organic vegetables and fruits', whether Konohana Garten was the first choice of store, and whether the reason for giving Konohana Garten as the first choice was good location and good service. Among the eight demographic factors, residence area was the only factor related to whether originality was given as the store's best aspect. This may imply that customers living in different areas experience the uniqueness of the store differently because those areas have different numbers of food retailers or levels of store competition. In contrast, there were not many relationships between residence area and opinions which regarding the store's retailing mix. Residence area was related to location such as good accessibility via public transportation, store layout and design such as attractive appearance of shops as a whole, and communication mix such as regular advertising of products and services; mass-media advertising, for example via television, radio, magazines, and the shop's website; and online shopping and delivering. Residence area did not affect perceptions of the store's retailing mix regarding merchandise, pricing, and customer service and selling. It is obvious that Japanese consumers' food-buying patterns relate to the distance from their residences to the store. The different considerations and perceptions of the retailer could come from differences in the travelling time and effort required to access the store. The location of this type of store can impact customers' perceptions of the store, although it was previously believed that merchandise was the major concern when buying food products (Chamber of Commerce and Labour Department of Oita prefecture, 2008).

Shopping role in the family

There was rare to find the recent consumer survey included this characteristic in studying on the food buying process. According to the research of Roberts and Wortze (1979) to women consumer in food preparation and shoppiong, the food shopping behaviours were complicated and affected by the pattern of family member's behaviour, such as their mothers. It can be implied that they might follow the similar pattern of food preparing and food buying from their influencers in the family, who were the desion makers or the main shoppers of the family. This research emphasized on the aspects on the food preparation concerns, which related with quality, time, price, pre-planningm price minimization and empirical orientation. Most of the respondents were the main shoppers for their families, but this characteristic was barely related to the choice of retailer for buying agri-food products. However, being the main shopper was related to reasonable price as a reason for choosing a retailer. Shopping role also related to four retailing mix factors – pricing, store location, store layout and design, and customer service and selling – whereas it had no relationship with communication mix or merchandise factors. These results provide a picture of price-oriented customers rather than customers who hunt for value in product quality. This contradicts previous studies that noted that, when buying food items, Japanese consumers primarily paid attention to product quality and variety (Chamber of Commerce and Labour Department, Oita prefecture, 2008). When consumers are in the role of their families' buyers, they tend to focus on budget and shopping experiences.

Car possession

Almost the same percentage of respondents owned a car as in Oita's consumer survey in 2008. Whereas the previous study focused on whether consumers used their cars to travel to purchase goods from various places and types of retailer, this study examined the relationship between owing a car and perceptions of an agri-food retailer such as the case study of Konohana Garten. Car possession was related to the length of time customers had known the retailer, frequency of visiting, and recognized aspects of the retailer as 'freshness of farmers' agri-food products' and 'fresh flowers and trees'. In addition, there were relationships between car possession and attitudes towards the retailing mix, such as all four location indicators, store layout and design, merchandise, and customer service and selling. From this evidence we can interpret that customers who have cars perceive the above factors differently from customers who do not have cars. They tended to have different visiting frequencies and to focus on the freshness of the products, the attractive appearance of the shops as a whole from the outside, convenient parking, healthy and safety of the agricultural products, and friendly shop staff.

4.5.3 The target market

The main target market of customers who buy agri-food products at local retailers are married women aged between 51 and 60 who have a child or children representing large family size, who are the key family decision maker in terms of buying food, who own a family car or cars, and who most likely live around the central area of the town or city. This study found that more than 90 per cent of respondents had known of Konohana Garten for more than six years. The store is recognized mainly for its fresh vegetables and fruits, as shown on the logo of the store. Though the most common frequency of visiting the shop was various ‘other’ choice and the second-highest frequency was only once a month, the store was still the first choice for respondents. The two dominant reasons for the store being consumers’ first choice were its good location and the good quality of its products. Most consumers discovered the store by chance while shopping or while visiting Oyama town for leisure activities. The factor most commonly mentioned as the best aspect of the store was the freshness of its agri-food ingredients and food products. The study also found that there was a gap of 14 per cent between the number of customers aged 31–50 accounted 33 per cent and the number of customers aged 51–70 accounted 47 per cent. This small age gap implies that it is not merely senior and retired people who shop at this type of agri-food retailer as younger generations also buy agri-food items from this retailer. Their attitudes towards the retailing mix elements, especially the communication mix, were sufficiently different to affect the retailer’s communication strategy.

4.5.4 Interactions between customers and retailer

Many previous studies have highlighted gender and age as the key factors influencing variations in perception and buying behaviour. In this study, the two most important demographic variables in terms of perceptions of the retailer were residence area and age, whereas the most influential demographic variables in the attitude to the retailer's retailing mix were occupation, shopping role, and age, in that order. However, the three factors influenced some aspects of perceptions of the retailer. For instance, occupation had no differences in terms of store recognition or store choice but it had relationships with all aspects of the store's layout and design and influenced store competitiveness. Residence area of respondents was related to almost every aspect – store recognition, associated notions, means of knowing the store, frequency of visit, store choice, reason to visit, and originality – except store competitiveness. Shopping role had no impact on the perceptions concerning store choice, merchandise, or the communication mix but it was strongly related to store recognition and store location. Meanwhile, age had a strong impact on store recognition, associated notions, and store competitiveness but it had no influence on store location, pricing, or customer service and selling. These results contradict most general studies, which gave age and gender as the key demographic factors affecting most perceived retail images and efforts. Although it is still important to consider age, these results suggest that residence area, occupation, and shopping role are more influential in the perceptions of the focal retailer.

4.5.5 The retailing mix in local agri-food retailers

The scores for most retailing mix elements were low, which indicates that the retailing mix used in the case study should not be considered merely in terms of its individual indicators. Since the various customers perceived the retailer in various ways, their levels of importance and satisfaction might also be different. This part of the results indicates that the frequency and percentile analyses are not sufficient to identify a reliable result concerning retailer equity. Regarding the relationship between customers' demographic factors and perceived retailing mix elements, there was a fairly high influence of various demographic characteristics on store layout and design, the communication mix, and store location. These retailing mix elements were perceived differently by various customers based on occupation, shopping role, age, and car possession. In addition, these three factors can be difficult to control and manage to the satisfaction of every customer because their demographic characteristics differ. Meanwhile, the perceptions of merchandise, pricing, and customer service and selling had lower relevance across all eight demographic factors. Most customers perceived these three retailing mix elements in practically the same way.

The 16 observed variables identified the mutual relationships within each retailing mix element and across all six elements. Customers thought that the store location factor comprised good accessibility of public transportation, a location close to tourist attractions, and a location that is easy to find, whereas store layout and design were reflected in an attractive appearance of the whole shop, the interior arrangement and shelf design, and in-store lighting and sound levels. The communication mix factor was perceived in the form of mass-media advertising, such as TV, radio, magazines, individual information on advertising and promotions, and internet websites with an online shopping and delivery service. The merchandise factor reflected the high quality of products and the wide variety of products and services. The pricing element was considered in terms of value for money and reasonable prices, and identified consumers' psychological perceptions towards price. The customer service and selling aspect was perceived in terms of staff having three qualities: helpfulness, friendliness, and sufficient knowledge and ability to answer questions and make suggestions to customers. These identified performances of the case study's retailing mix elements offer specific pointers for an effective marketing plan to attract and respond to customers' needs and expectations from this type of retailer.

4.5.6 Relationships between the retailing mix and retailer equity dimensions

According to previous studies, each retailer equity dimension has different relationships with the various retailing mix elements. However, this research found that retailer awareness had the strongest relationships with store location and secondly with merchandise, which were higher than the communication mix strategy. Customers might be aware of the places where the agri-food products are available that they can buy; meanwhile, all three retailer equity dimensions – association, perceived quality, and loyalty – had the strongest relationships with customer service and selling. These results implied that customer service and selling might be the key contribution to most retailer equity dimensions among the six retailing mix aspects, as it had larger factor loadings than the other five aspects of the retailing mix based on both direct and indirect paths. However, the computed results of estimated value for retailer equity identified by retailing mix elements revealed that merchandise was the most important strategy indirectly through four retailer equity dimensions. Merchandise element had the previous studies shown multiple relationships with all retailer equity dimensions whereas customer service and selling element had only three relationships with retailer equity dimensions. In consequent, the total impact of customer service and selling on the retailer equity was lower than merchandise.

All of the 29 antecedents of the retailing mix can reflect the perceptions of customers towards the retailer in general. The results of the factor analysis allowed the extraction of the 16 foremost variables, which mutually influenced retailer equity through the retailer equity dimensions. The retailing mix element with the strongest impact was merchandise, followed by customer service and selling, communication mix, pricing, store layout and design, and store location in that order. This result provides a potent suggestion that the case study retailer gained its retailer equity based on the impact of those factors, ranked in that order. In previous consumer survey of Oita prefecture, consumers chose to buy food products based on the product quality, variety, and low price. The result of this study also partially confirms the same aspect on the most important retailing factor is merchandise strategy; nevertheless, the pricing strategy is not the second priority in this study. Unlike the Oita's survey, this research finds that customer service and selling and marketing communication impact to consumers than pricing, which ranked as the forth from six elements. These findings might come from the fact that main customers of this retailer were elderly people, so they need to have the good quality and variety of products along with friendly sales support and service. As elderly people have more time to access and obtain news and information via traditional media and internet (Chéron, 2011), they also tend to expose to marketing communication such as sales promotion or special products more than younger consumers. Moreover, Oita prefecture survey pointed that store location was usually believed to be the most crucial factor affecting consumers' purchasing behaviour, because most customers usually buy agricultural food supplies on a daily basis. The results in the first part pf survey also indicated that 'the two dominant reasons for the store being consumers' first choice were its good location and good quality of its products' (Siriwichai, 2013, p.11). The next most important factor in terms of the choice of retailer for buying agri-food products was believed to be pricing, because of the economic conditions. However, the results of this study identified the opposite in relation to this case study. They suggested that the customer service and selling strategy is the most crucial retailing mix element, supported by the communication mix and merchandise. The other three elements are still required to complete the foundation of the retailing mix, but can be emphasized less than those stronger-impact factors. As the research used customer-perceived values, the results indicate what customers emphasized about this type of retailer. It can be anticipated that the results from different retail formats should deliver different results because customers might value other elements in those types of retailer.

Chapter 5

Conclusion and Recommendations

This chapter emphasizes on the conclusion of the research based on the objectives. It includes the limitations, and recommendations for future research on the retail marketing and retailer equity.

5.1 Conclusion

With its large scales of employment and investment, retailing has become one of the most powerful businesses around the world. Since it is the last stage of delivering products to consumers, retailers have to efficiently engage not only with manufacturers or producers but also with customers in order achieve their ultimate goals. Retail management philosophy should be applicable in any size of business, even on the small scale of the local community in rural areas, where products mainly come from agricultural activities. Most retailing studies have emphasized modern trade platforms or large-scale retailers fully equipped with logistical technologies. There are fewer, if any, that have examined the significance of small-scale entrepreneurial retailers that directly support and strengthen local welfare and contribute to the national economy. This research affirms the concept of local self-reliance and entrepreneurship in the retailing business based on the marketing perspectives as follow.

Firstly, it investigated the influences of five external factors on the case study of Konohana Garten. Community development schemes, government support, socioeconomics, Japanese consumer behaviour, and retail competition in Japan were reviewed to compare with the real situation of the case. Based on the interview findings, retailer's management team and farmers or suppliers had the different levels and attitudes towards the external factors.

However, the most important factor was the consumer and retail competition that were mentioned as their most concern in managing the retail strategies.

Secondly, being as a representative of rural agricultural community retailers, Konohana Garten had comprehensively recognized the market's needs and identified opportunities to gain profits from the target market in conditions of high competition in the retail industry. The retail marketing factors were identified as six retailing mix, such as store location, store layout and design, communication mix, merchandise, pricing, customer service and selling. Those retail marketing elements were tested to examine the relationships with the attitudes towards the retailer and the eight customers' demographic characteristics. Numerous findings regarding to the relationships between retailing mix elements and customers' attitudes are identified to confirm as previous studies, and yet to agree with some issues such as gender and the attitudes toward merchandise and pricing in the context of agri-food products.

Japanese consumers have recently taken into account more complex considerations relating to their demographic characteristics in buying all types of product. Modern trade channels such as convenience stores, supermarkets, and department stores that exhibit European and American patterns of food consumption are the market leaders in all merchandise, including agri-food products. The primary target market for local agri-food retailers such as Konohana Garten is at present clearly people of a fairly senior age; however, age is not the only characteristic that should be emphasized. Residence area, which relates to consumers' lifestyles and distance from the store, occupation, which relates directly to income and partly to the education of consumers, and shopping role, which directly relates to the decision maker in buying food products, are also key demographic characteristics. The customers of this type of retailer are predominantly different in age and occupation from those of other formats of food retailer, which might have more varied age ranges and varieties of occupation. However, residence area and shopping role of customers might be fairly similar to those of other food retail formats, such as supermarkets, department stores, discount stores, and convenience stores, when the distance to the customer's desired store and the customer's residence area are taken into consideration. Most customers lived in cities such as Fukuoka and Oita, giving the idea that city people is the target market. A deeper analysis of residence areas based on the smaller unit of districts might show a scattering of customers around each store location; however, this could only distinguish between regular customers and other types of customer based on distance from the store. Furthermore, women living with other family members may or may not be the main shopper for their households. When independent and single female or male consumers rather choose to buy from convenience stores, they are certainly the main shoppers for themselves, and their preferences are mainly for convenience and less food-preparation time. Hence, it can be concluded that the target market of local agri-food retailers is more similar to the target markets of supermarkets, traditional retailers, department stores, and discount stores than it is to the target market of convenience stores.

Thirdly, the research examined and discovered the construct of six retail marketing strategies that were applied in the case study. The combination of retailing mix elements shows different magnitudes of impact on the retailer value. The findings support the theoretical background of retail marketing ingredients that are applied even on the small-scale retailer at the community level.

Fourthly, the research identified the indirect relationships between the retailing mix and retailer equity mediated by retailer equity dimensions. In general, the success of a business entity is measured in terms of financial profit and equity, more recently including brand equity, involving intellectual property or intangible assets. Every brand has a proportionately effective marketing strategy to create brand equity, and every retailer employs the same foundation but in a way that is more profound in practice, because retailers' marketing strategies must have both depth and width – in other words, multiple attributes to provide to consumers. This study suggests that retailer equity dimensions can be gained from the structural retailing mix when it is properly arranged to encourage customers to perceive various values of the retailer and to purchase from it. In consequence, the strategic retailing mix can indirectly influence retailer equity through the retailer equity dimensions according to how customers perceive them. The most noteworthy issue here does not concern the assessment of the magnitude of retailer equity but rather the loading weight of retailer equity dimensions and the elements of the retailing mix. Each type of retail format should have a specific level of retailer equity compared to the industry index; however, this value cannot provide direction to management regarding how to respond to it. In contrast, the comparative weight or loading of the retailer equity dimensions can reveal more managerial information to business owners, enabling them to understand why they have certain retailer equity. Moreover, retailer equity dimensions can be more meaningful when they are constructed based on an effective retailing mix, which should be reflected in customers' perceptions. This research used a case study to elaborate the potent concept of using the retailing mix to discover the major aspects that a retailer should primarily concern itself with in order to address the needs of its target market.

Lastly, this case study clearly identified that the prime strategy is merchandise strategy, followed by customer service and selling, and communication mix, although other types of retail format might discover differently with other strategy. Because every business has to be managed by using limited resources – such as human and financial capital, instruments, and other infrastructure – retailers have to make decisions by prioritizing the implementations and strategic actions that yield the highest outcome in the desirable period of time. Retailers can use this kind of information to outline their retail management in order to improve and enhance their market coverage and earnings by creating an effective and efficient retailing mix for their retailing business.

5.2 Implications

There are two levels of implications for this research: direct implications concerning the use of the Konohana Garten model by other agricultural cooperatives, and general implications for other retailers.

5.2.1 Other agricultural cooperative retailers

Community-based agricultural food retailers like Konohana Garten are abundantly seen in many locations. This kind of retailer is sometimes viewed as a simple and traditional type because it has fewer intermediaries and simpler product displays. However, Konohana Garten has strong characteristics in strategic management and has become a retailing business model in Japan. Initiated by Oyama Agricultural Cooperative Association in a rural area of Oita prefecture, Konohana Garten was the first successful agricultural cooperative to operate retailing stores for selling the processed food and other agricultural products of local farmers to consumers by cutting out the high cost of middle men and returning more earnings to producers. As a result, it has been studied and adapted throughout the Oita prefecture in the context of the efforts of the OVOP movement. In addition, it was the prototype of the *michi no eki*, or highway rest stops or ‘roadside stations’, extensively introduced all over the country by the central government in order to support rural development. There have been plenty of uses of the Konohana Garten model to construct comparable retail formats; however, without comprehensive retailing strategies, the outcomes in terms of business performance will be in question. Since the major characteristics of these retailers’ consumers should be similar to those of Konohana Garten, the results of this study can be applied to those retailers who have followed the same concept as Konohana Garten; such retailers should emphasize the three major retailing mix elements, merchandise, customer service and selling, and communication mix, above the other three elements when considering their retailing management strategies.

5.2.2 Other retailers

Retailer equity has recently been studied based on the concept of brand equity. The brand equity of any product or service is complex in terms of measuring and applying it in business practice. It is involved with both the firm's financial perspectives and customers' perspectives, which are related to psychological, cognitive, and behavioural characteristics. A firm with multiple products but a single brand has many complicated dimensions to managing its brand equity. Thus, the business operations of a retailer with multiple brands will be even more complex in terms of creating retailer equity. As a result, this research suggests a more refined structural application of retailer equity, which can also apply to brand equity, by using the concept of the retailing mix or marketing mix in investigating and identifying the areas to improve in the marketing management of the retailing business. A retailer can analyse its retailing strategies and develop those that most respond to the market's needs in order to generate the best benefits from its investment.

5.3 Limitations

Since the questions were generated based on observations of the case study and interviews with its customers and stakeholders, they might not represent each retailing mix of other types of retail format. For instance, a retailer with multiple branches in diverse locations may require wider ranges of questions relating to the store location and store layout and design. In addition, the questions relating to customer service and selling strategy in this study did not involve a customer relationship management scheme – which may involve a frequent buying program, member cards, or personal selling – because there was no such activity in the case study. Although consumer buying behaviour, the economic situation, the competitive atmosphere, and other external factors are compelling forces that affect retailers' abilities to achieve maximum performance in each retailing mix, retailers can decide to deal with those challenges in various ways. Moreover, the case study represents only one of many retail formats; it applied marketing concepts relevant to its limited resources concerning financial investments, production capacity, and human resources. Some major marketing activities were implemented, whereas other activities might not be possible because of those limitations. Unlike previous studies that emphasized the measurement of retailer equity by choosing retailing mix elements based on the industry, this study rather highlighted the retailing mix elements to identify two higher-order relationships with retailer equity. The retailing mix elements were measured by observed variables, but the retailer equity dimensions and retailer equity did not have the construct of observed variables because they were considered as moderators to reveal direct and indirect paths from retailing mix to retailer equity. They performed as indicators more than as measurement constructs.

5.4 Recommendations for future research

Studies of the same format as Konohana Garten, such as *michi no eki* or anonymous retailers, may be conducted to review whether similar results are obtained. This kind of study may be applied to any small-scale retailer engaged in community development in other countries and regions in order to improve the business practices of community enterprises. Since the formative causality relationships from retailing mix to retailer equity demonstrated the possible relationships in this study, future studies could be extended to test the reflective causality relationships of retailer equity to each retailer equity dimension by identifying retailing mix elements as observed variables. The sample size could be extended to include more demographic and psychographic factors, such as multiple age ranges, income levels, lifestyles, and leisure activities, in order to reveal consumers' characteristics in further depth. This might yield further market interpretations for retail management.

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Appendices

木の花ガルテンアンケート

この調査は、木の花ガルテンを便に向上させるために、観客の満足と期待を把握することを目的として実施致します。皆様の率直なご意見をお聞かせていただく、ご協力よろしくお願い申し上げます。

<u>一般的な質問</u>

- 木の花ガルテンについてご存知ですか。

（　　）はい

（　　）いいえ　(では,３番の質問に答えてください)

- 木の花ガルテンをお知りなってからどのくらいになりますか。

（　　）１年以内

（　　）１～３ 年

（　　）4～6 年

（　　）6 年以上

- 木の花ガルテンのような他の直売所をご存知ですか。

（　　）はい　（その名前をお書きください）________________

（　　）いいえ

- 木の花ガルテンについてどのようなことをご存知ですか。（複数回答可）

（　　）大山町

（　　）農家の 新鮮な野菜や果物

（　　）有機野菜と果物

（　　）健康食品の素材

（　　）健康食品のバイキング

（　　）新鮮な花や樹

（　　）地元の農産物

（　　）自然食品の材料

（　　）一村一品の店

（　　）農業 協同組合の小売店

（　　） その他　＿＿＿＿＿＿＿＿

- 「木の花ガルテン」という名前を見たり聞いたりした時、思い浮かぶことは何ですか？（複数回答可）

（　　） 大山町

（　　） 農家の 新鮮な野菜や果物

（　　） 有機野菜と果物

（　　） 健康食品素材

（　　） 健康食品のバイキング

（　　） 新鮮な花や樹

（　　） 地元の農産物

（　　） 自然食品の材料

（　　） 一村一品の店

（　　） 農業協同組合の小売店

（　　）その他　＿＿＿＿＿＿＿＿

- 木の花ガルテンについて知るようになったきっかけは何ですか。

（　　） ショッピング中に偶然に

（　　） 大山町、大分県へ行ったことがある

（　　） 観光広告キャンペーン（運動）で

（　　） 友達の話で

（　　） 沿道の看板を見て

（　　） 家族の話で

（　　）その他　＿＿＿＿＿＿＿＿

- どのくらいの頻度で木の花ガルテンを訪問していますか？

（　　） 週に１回　　　（　　） 週に２～３回　（　　） 隔週

（　　）月に１回　　　（　　）その他　＿＿＿＿＿＿＿＿

- 下記のリストからまず最初に選ぶとすれば、どの店を選ばれますか。

( ) 木の花ガルテン

( ) ひびきの里

( ) 他の 道の駅

( ) 無名の農産物の店

( ) その他 ________________

- それはなせですか。

( ) 有名な店だから

( ) 場所がいいから（便利）

( ) 商品の品質がいいから

( ) 価格が妥当だから

( ) レイアウトがいいから

( ) 店のサービスがいいから

( ) その他 ________________

- お客様は木の花ガルテンについて一番良いところは何だと思われますか。

____

____

____

- 木の花ガルテンの上記の特性を共有できる、他の場所がありますか。

( ) はい ____________________________

( ) いいえ。

ご意見に従ってこの尺度を評価してください。

お客様にとってどのような要因が**重要**なレベルですか。

一つ選んで丸をつけてください

号	**小売業の説明**	とても重要	重要	普通	あまり重要でない	重要でない
1	便利な公共交通機関					
2	観光名所に近い場所					
3	都市や中心街					
4	場所の見つけやすさ					
5	店の魅力的な外観					
6	室内のインテリヤや棚の様式と配置					
7	室内の光と音の適切なレベル					
8	きれいなショッピング街と飲食街					
9	適切な室内温度					
10	便利な駐車場					
11	適切なトイレと休憩所の配置					
12	製品とサービスに関する定期的な広告					
13	お店の掲示上で特別広告					
14	テレビ、ラジオ、雑誌などの媒体広告					
15	様々な場所でお店の看板や垂れ幕					
16	街のイベントへの協賛					
17	広告や販売促進活動による個々の情報					
18	インターネットウェブサイト、オンラインのショッピンと配達					

号	**小売業の説明**	とても重要	重要	普通	あまり重要でない	重要でない
19	高度な品質の製品					
20	製品とサービスに関する幅広い選択肢					
21	健康的で安全な農業物					
22	新製品開発					
23	製品のお金の価値					
24	合理的価格					
25	掛け引きや割引の取得					
26	面倒見が良いサービス					
27	親切な店員					
28	知識・経験とも豊富な店員による対応					
29	ホームデリバリーサービス					

木の花ガルテンの各項目に対する**満足度**はどのくらいですか。一つ選んで丸をつけてください。

号	木の花ガルテンの特性説明	最高	高度	穏和	少し	最少
1	便利な公共交通機関					
2	観光名所に近い場所					
3	都市や中心街					
4	場所の見つけやすさ					
5	店の魅力的な外観					
6	室内のインテリヤや棚の様式と配置					
7	室内の光と音の適切なレベル					

号	木の花ガルテンの特性説明	最高	高度	穏和	少し	最少
8	きれいなショッピング街と飲食街					
9	適切な室内温度					
10	便利な駐車場					
11	適切なトイレと休憩所の配置					
12	製品とサービスに関する定期的な広告					
13	お店の掲示上で特別広告					
14	テレビ、ラジオ、雑誌などの媒体広告					
15	様々な場所でお店の看板や垂れ幕					
16	街のイベントへの協賛					
17	広告や販売促進活動による個々の情報					
18	インターネットウェブサイト、オンラインのショッピンと配達					
19	高度な品質の製品					
20	製品とサービスに関する幅広い選択肢					
21	健康的で安全な農業物					
22	新製品開発					
23	製品のお金の価値					
24	合理的価格					
25	掛け引きや割引の取得					
26	面倒見が良いサービス					
27	親切な店員					
28	知識・経験とも豊富な店員による対応					
29	ホームデリバリーサービス					

最後に、上記アンケート以外の質問項目となりますが、お答えいただきたく存じます。

____

____

____

____

- ご年齢:________________
- 性別:　（　男　　　女　）
- ご職業：______________________________________
- ご住所:____
- ご家族　①　結婚されていますか。　　　　　（　はい　　いいえ　）
  ②　お子さんはいらっしゃいますか。（　はい　　いいえ　）
- 自家用車の有無　（　有　　　無　）
- 家族の中で、主に買い物をする方はあなたですか。（　はい　　いいえ　）

ご協力頂き、誠にありがとうございました。心より御礼申し上げます。

Konohana Garuten Survey

This survey is generated to understand the customers' satisfaction and expectation in order to improve the shop's performance. Your kind cooperation in answering based on your authentic opinion is highly appreciated.

<u>General Questions:</u>

1) Have you known about Konohana Garuten before?

    Yes   No (then go to question 3)

2) How long have you known Konohana Garuten?

    Less than 1 year

    1-3 years

    4-6 years

    More than 6 years

3) Do you remember other places' names for the same kind of Konohana Garten?

    Yes, please specify____

    No

4) In what aspects do you know about Konohana Garuten?

    Oyama town

    Fresh Vegetables and fruits from farms

    Organic vegetables and fruits

    Healthy food materials

    Healthy food Buffet

    Flowers and trees

    Local agricultural products

    Natural food materials

    One Village One Product shops

    Co-operative retail store

    Others; please specify___________________________

5) When you see or hear about the name “Konohana Garuten”, what do you think of?

Oyama town

Fresh Vegetables and fruits from farms

Organic vegetables and fruits

Healthy food materials

Healthy food Buffet

Flowers and trees

Local agricultural products

Natural food materials

One Village One Product shops

Co-operative retail store

Others; please specify___________________________

6) How do you know about Konohana Garuten?

Found it by chance while shopping

Ever been to Oyama

Tourism advertising campaign

My friends tell me

Roadside Signage

My family members tell me

Others; please specify_____________________________

7) How often do you come to Konohana Garuten?

Once a week

2-3 times a week

Bi-weekly

Once a month

Others; please specify____________________________

8) These are the list of shops that you can choose to go, which one do you choose to be your first choice to visit;

Konohana Garuten

Hibiko no satou

Michino eki

Anonymous Agricultural shops

Others, please specify _______________________________

9) Why do you choose the above shop?

Well known

Good location

Good Quality of products

Cheap price

Nice layout

Good Staffs service

Others, please specify _______________________________

10) What do you think is the best thing about Konohana Garuten?

____

11) Are there any other places being able to compatible with above aspect to Konohana Garuten?

Yes, please specify____

No

Please kindly rating the scale as per your comments.

How does each factor being **important** to you in general?

No.	Retailing Description	Highly	High	Mod	Less	Least
1	Good accessibility of public transportation					
2	Location close to tourist attractions					
3	Location within the city as the branch					
4	Location is easy to find the place					
5	Attractive appearance of shops as a whole					
6	Interior and shelf design and arrangement					
7	Light and sound levels indoors					
8	Clean shopping and catering areas					
9	Proper temperature within the places					
10	Convenient parking lots					
11	Toilet and resting areas availability					
12	Regular advertising on products and service					
13	Special advertising on shops bulleting					
14	Mass media advertising such as TV, Radio, magazine.					
15	Shops' signage and Banner in various places					
16	Sponsorship of city events					
17	Individual info. on advertising and promotion					
18	Internet website; online shopping and delivering					
19	High quality of products					
20	A wide choices of products and services					
21	Healthy and safety of agricultural products					
22	New products development					
23	Worth value of money					
24	Reasonable prices					
25	Getting bargain or discount					
26	Helpful shop staffs					
27	Friendly shop staffs					
28	Knowledgeable staffs in answering and advising					
29	Home Delivery services					

What is the level of **satisfaction** in Konohana Garten in each factor to you?

No.	Konohana characteristics Description	Most	High	Fair	Less	Least
1	Good accessibility of public transportation					
2	Location close to tourist attractions					
3	Location within the city as the branch					
4	Location is easily to find the place					
5	Attractive appearance of shops as a whole					
6	Interior and shelf design and arrangement					
7	Light and sound levels indoors					
8	Clean shopping and catering areas					
9	Proper temperature within the places					
10	Convenient parking lots					
11	Toilet and resting areas availability					
12	Regular advertising on products and service					
13	Special advertising on shops bulleting					
14	Mass media advertising such as TV, Radio, magazine.					
15	Shops' signage and Banner in various places					
16	Sponsorship of city events					
17	Individual info. on advertising and promotion					
18	Internet website; online shopping and delivering					
19	High quality of products					
20	A wide choices of products and services					
21	Healthy and safety of agricultural products					
22	New products development					
23	Worth value of money					
24	Reasonable prices					
25	Getting bargain or discount					
26	Helpful shop staffs					
27	Friendly shop staffs					
28	Knowledgeable staffs in answering and advising					
29	Home Delivery services					

Lastly, if you have any other comments besides the above questions, please kindly provide here.

____

____

Age:__________________ Gender: ☐ Male ☐ Female Married ☐ Yes ☐ No

Occupation:____ Children ☐ Yes ☐ No

Residence:____

Car owner ☐ Yes ☐ No

Are you the main shopper in the family? ☐ Yes ☐ No

Thank you very much for your kind cooperation.